C. P. U. No. 292

COMMITTEE ON PUBLIC UNDERTAKINGS (1975-76)

(FIFTH LOK SABHA)

SEVENTY FIRST REPORT

Action taken by Government on the recommendations contained in the Fiftieth Report of the Committee on Public Undertakings (Fifth Lok Sabha), on

FERTILIZER CORPORATION OF INDIA LIMITED (MARKETING AND DISTRIBUTION)

Ministry of Petroleum and Chemicals (Department of Fertilizers and Chemicals)

LOK SABHA SECRETARIAT
NEW DELHI
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TO

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1975-76)

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3. Shri Bhogendra Jha
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2. Shri K. S. Bhalla—*Senior Financial Committee Officer.*

ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1975-76)

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3. Shri Vasant Sathe
4. Shri Amarnath Vidyalankar
5. Shri C. K. Jaffer Sharief
6. Shri Damodar Pandey
7. Shri Atal Bihari Vajpayee.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Seventy-first Report on Action Taken by Government on the recommendations contained in the Fiftieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Fertilizer Corporation of India Ltd. (Marketing and Distribution).

2. The Fiftieth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 24th April, 1974. The replies of Government to 35 out of 38 recommendations contained in the Report were received in batches and the last batch was received on the 17th July, 1975. While information sought in respect of certain points was received on the 1st February, 1975, information in respect of certain other points was outstanding. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 16th July, 1975. The Report was finally adopted by Committee on Public Undertakings on the 25th July, 1975.

3. The Report has been divided into the following five Chapters:

(i) Report.

(ii) Recommendations that have been accepted by Government.

(iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.

(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

(v) Recommendations in respect of which replies of Government are awaited.

4. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix VII. It would be observed therefrom that out of the total number of recommendations made in the Report, 36.84 per cent have

been accepted by the Government. The Committee do not desire to pursue 34.21 per cent of the recommendations in view of the Government's replies. Replies of Government in respect of 7.89 per cent. of the recommendations have not been accepted by the Committee and final replies of Government to 21.06 per cent of the recommendations are outstanding.

NEW DELHI;
28th July, 1975.
6th Sravana, 1897 (S).

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

A. Sundry Debtors

Recommendation S. No. 29 (Para 8.52)

The Committee noted that a Fertilizer Company of Madras owed a sum of Rs. 451 lakhs as on 16th January, 1971, for supplies made to it by tht Corporation. After setting off Rs. 91,000 on account of shortages/damages etc., the party agreed to make the payment of the balance in 12 instalments, for which the party issued 12 post-dated cheques to be presented on different dates. Though nine of the cheques were cashed, three cheques bounced back as the dealer had instructed the bank not to honour them. The Committee did not see any justification on the part of FCI accepting post-dated cheques against dues wihout verification of the financial soundness of the party or firm. The Committee were shocked to note that according to the Internal Audit the ledger account of the party was highly unreliable. The Committee were informed that the outstandings were reduced to Rs. 54,000 in July, 1973. However, certain discrepancies in the accounts of the party came to light in December, 1973 as a result of which the outstandings against the party rose to the extent of Rs. 3.07 lakhs. The Committee were also informed that the party had put forth a counter-claim to the extent of Rs. 1.99 lakhs which was stated to be under scrutiny. It was not clear whether even the ledger account of this party had been thoroughly verified to ensure that no amount realisable from the party had been omitted therefrom. The Committee felt concerned with the way in which the accounts of the party were maintained. The Committee recommended that this matter should be critically examined so as to pinpoint the lapses and suitable measures taken to set right the position.

Recommendation S. No. 30 (Paras 8.58 to 8.60)

1.2. The Committee noted that credit sales were made to a distributor in Madras on the understanding that the party would furnish a bank guarantee for Rs. 5 lakhs. Subsequently after discussions, the party agreed to have a revolving letter of credit for Rs. 3 lakhs and efforts were made by the Corporation to obtain the bank guarantee. The Committee also noted that though a form of bank

guarantee for Rs. 2 lakhs was sent to the party no such guarantee was executed. Credit sales were made to the party in spite of repeated instructions from Trombay Unit that no order should be booked on credit sales. The Internal Audit had observed in July, 1972 that the accurate amount of outstanding against the firm could not be determined. Though the party had given cheques to the extent of Rs. 103 lakhs some three months back, it had requested, according to the Area Manager, not to present the same to the bank and the cheques were stated to be in the custody of the Trombay Office. The Committee were informed that as on 31st October, 1973, only Rs. 8,000 was outstanding against the party and claims of the party for transport rebate, etc., to the extent of Rs. 19,000 were under scrutiny by the Unit.

1.3. The Committee failed to understand why deviation was made from the terms originally agreed upon and clean credit sales allowed to the firm without insisting on bank guarantee for the full amount. The Committee also deprecated the practice of accepting requests for presentation of cheques bearing current dates, on some subsequent dates, as such practices were not financially sound.

1.4. The Committee recommended that the entire deal should be investigated with a view to fixing responsibility for the lapses. The Committee were informed that the outstanding had since been reduced to Rs. 8,000 on 31st October, 1973. Claims of the party for Rs. 19,000 were under examination of the Corporation. The Committee desired that they should be kept informed about the settlement of the case.

1.5. The Secretary, Department of Fertilizers and Chemicals informed the Chairman in regard to recommendation at Sl. Nos. 29 and 30 as follows:—

> "A Senior level Committee was appointed by the Corporation to investigate into the cases mentioned in the Report of the Committee on Public Undertakings. The investigation has since been completed and a report submitted by the Committee. The Committee's findings reveal that there was a lapse on the part of the Sales Manager, Madras in extending credit to the said firm ignoring instructions issued by the FCI management. Necessary disciplinary action against the officer is being initiated. The Committee has also made certain other recommendations for streamlining procedures. A copy of the report has also been sent to Government. Government's reply will

be furnished after examining the Committee's reply and also after ascertaining from the Corporation the action taken by them on the said report."

[Ministry of Petroleum and Chemicals D.O. No. 63(3)/ Ferts. II/74(Pt.), dated 15-2-1975].

1.6. The Ministry further informed as follows:—

"The report received from the FCI is being examined. Government's reply will be furnished in regard to the above recommendations as early as possible."

[Ministry of Petroleum and Chemicals D.O. No. 63(3)/ Ferts.(II) (Pt.), dated 6-6-1975].

1.7. The Committee deprecate the long delay on the part of Government to get the matter investigated even though the Committee's Report was given as far back as April, 1974. The Committee regret to note that even after the receipt of the report of enquiry which revealed a lapse on the part of the Sales Manager, Madras, and suggested streamlining of procedures in this regard, the Government have not so far finalised the action to be taken in the matter. They recommend that the Government should lose no more time to finalise their decision and take other follow-up action in the matter including streamlining of the procedures to prevent the recurrence to such cases in future. The Committee would like that the disciplinary proceedings should be initiated immediately against the delinquent officials concerned and finalised at an early date. The Committee would also like that the delinquent officials may not be allowed to go out of the Corporation to escape punishment as has generally come to the notice of the Committee in so many cases. The Committee would like Parliament to be informed of the action taken in the matter.

Recommendations S. No. 30 (Paras 8.73 to 8.75)

1.8. The Committee observed from the few cases which came to their notice through internal audit reports during the examination of the Undertaking, that management in their anxiety to dispose of large stocks of fertilizers which the Trombay and Sindri Units had during 1966 to 1970-71 adopted certain measures which could not be considered to be financially sound, and as a consequence of which the Corporation was faced with large outstandings to be realised from the dealers and most of these cases were stated to be under litigation. The shortcomings of these cases were

(a) that a proper assessment of the credit worthiness or business reputation of the dealer was not made, (b) sales on credit were made without proper approval and without collaterals; (c) acceptance of postdated or presigned cheques; (d) hiring of private godowns, and leaving the keys of the godowns with the dealers; (e) non-verification of stocks in godowns; (f) delays in taking action for realisation of outstanding dues as accuracy of balances could not be established and (g) absence of important documents and in some cases the original orders for supply.

1.9. The Committee were distressed to find that not only certain transactions were made without financial concurrence but even the reporting of these cases to Central Office of Board had been either slow or over-looked. The Committee were surprised to find that when cases were under investigation either departmentally or through CBI, some of the officials connected with these cases were allowed to resign and leave the jobs. The Committee would like Government to fully investigate the matter as to how officials in public undertakings whose conduct was under investigation on charges of defalcation of money or for committing serious irregularities which were detrimental to the interest of Public Undertakings were allowed to resign without being conclusively called to account. The Committee would like Government to plug loopholes, laxity in procedures which allowed some of these delinquent officers to indulge in malpractices and then leave the undertakings with impunity thus escaping accountability.

1.10. Another aspect which the Committee urged upon Government was the need for initiating criminal proceedings where justified on the basis of *prima facie* evidence so that the guilty were brought to book without delay thus acting as a deterrent.

1.11. The Government in their reply stated that the general issue contained in the recommendation was considered by the Bureau of Public Enterprises in consultation with the Central Vigilance Commission some time back and suitable instructions had been issued to all the undertakings in regard to the verifications of past services of applicants for employment in public undertaking. The Bureau had also issued instructions to the effect that in respect of top posts in public enterprises, if the selected candidate was a person who had previously worked in another public undertaking or a departmental public undertaking, the administrative Ministry concerned with the Undertaking should ascertain demi-officially at the level of the Secretary of the Ministry, the circumstances under which he left the previous assignment before deciding to appoint him.

1.12. The specific observations of the Committee about the action taken by the FCI management in relieving certain officers of the Corporation even while an enquiry was in progress as brought out in the Committee's report would be kept in view and gone into during the investigation ordered by Government into these cases.

1.13. The Committee's recommendation regarding the need for initiating criminal proceedings where justified, on the basis of *prima facie* evidence, so that the guilty are brought to book without delay, would also kept in view. The Corporation had been advised to look into the case of these persons with a view to taking appropriate further action in the light of these recommendations.

1.14. The Committee are not satisfied with the reply so far as the action taken against the guilty is concerned. The Committee feel that there has been inordinate delay in the matter. While reiterating their recommendation they stress the need for initiating criminal proceedings against the guilty persons so that the guilty are brought to book without delay. The Committee would like this to be expedited and the action taken against the officers concerned, with their names, reported to Parliament.

Recommendation (Serial No. 35) (Para 8.74)

1.15. The Committee also came across in other undertakings where the Financial Advisers had not been bringing important cases of irregularities/shortcomings in the working of the Undertaking promptly to the notice of the Government/Board. The Committee desired that the Bureau of Public Enterprises should also issue suitable instructions to all the Public Undertakings emphasising the need for reporting such cases promptly to Government/ Board.

1.16. The Secretary, Department of Fertilizers and Chemicals informed the Chairman in regard to this recommendation as follows:—

> "The Bureau of Public Enterprises have been requested to issue instructions to the Public Sector Undertakings on the lines recommended by the Committee. The matter is under active consideration by the BPE and a decision is likely to be taken fairly soon."

[Ministry of Petroleum and Chemicals D.O. No. 68(3)/Ferts. II/74 dated 15-2-1975].

1.17. The Ministry further informed as follows:—

"The BPE, who were requested to issue instructions to the Public Sector Undertakings have again been reminded to expedite action."

[Ministry of Petroleum and Chemicals D.O. No. 68(3)/74-Ferts. II|(Pt) dated 6-6-1975].

1.18. The Committee are not able to see any justification for the delay on the part of the Bureau in not finalising these instructions specially when it has been constituted with the specific objective of streamlining procedures common to all the undertakings and particularly with the ever increasing staff of the Bureau. They would like the Bureau to expedite issue of suitable instructions to all the Public Undertakings emphasising the need for the Financial Directors/Financial Advisers to report promptly all important cases of irregularities/shortcomings to the Board/Government.*

B. Physical Verification

Recommendation S. No. 37 (Paras 9.18 to 9.20)

1.19. The Committee regretted to note from the Internal Audit Report of October, 1970 that no physical verification of stocks in any of the godowns in Bangalore area had been done. The Committee were concerned to find that in 1970-71, in the eastern zone on account of non-reconciliation of stock figures with book balances, a discrepancy of Rs. 4.89 lakhs was noticed. The Committee were informed that as a result of investigation done by two Committees, it was found that the discrepancy included claims against Railways amounting to Rs. 2.69 lakhs and the balance Rs. 2.2 lakhs accounted for losses in handling of materials covering a period of 4 years prior to 1971-72 which were recommended to be written of.

1.20. The Committee were not sure whether claims against Railways had been preferred in time and adequate action taken for their realisation. The Committee desired that Government/Undertaking should investigate into the matter, and fix responsibility for lapses, if any, in this regard.

1.21. The Committee were also informed that a separate Committee was appointed by the Zonal Manager, Eastern Marketing Zone to go into the losses in handling of materials in West Bengal

*At the time of factual verification (26-7-75) the Ministry of Petroleum and Chemicals furnished reply to recommendation at S. No. 35 stating that necessary instructions had been issued by the Bureau of Public Enterprises to all the Administrative Minister concerned vide Bureau of Public Enterprises O.M. BPE/Adv (F).46|68-74 dated 4th July, 1975 (see Appendix IV).

Region where the percentage of loss was more and this Committee was of the view that no responsibility could be fixed on any person for such losses. The Committee noted that ultimately the entire amount of Rs. 2.2 lakhs was written off for purposes of adjustment in the accounts of 1971-72. The Committee were informed that the losses in the godown stocks had been the result of the combination of several operational factors like short receipt of material, receipt of material in damaged condition, storing of material in bulk in off-season and hydroscopic nature of the chemical fertilizers. Although according to the Management, such a problem does not exist, since practically the entire limited stocks stored in the areas are with the States or Central Warehousing Corporations who give the certificate of reconciliation at the end of each year, the Committee were not sure whether such reconciliation of stock was done in other zones of the Corporation and any losses of this nature had been written off. The Committee desired that this matter should be gone into by the Corporation and result intimated to them. The Committee also recommended Government/Corporation should on the basis of the experience lay down suitable norms for such handling losses and strictly enforce them. The Committee expected Government/Corporation to make prompt and detailed enquiries wherever such norms were exceeded so as to take suitable remedial action.

1.22. The Secretary, Department of Fertilizers and Chemicals informed the Chairman in regard to this recommendation as follows:—

> "Certain clarifications have been asked for from the FCI and these are being obtained by them from their various units. Government's reply to this recommendation will be furnished immediately on getting the information from the Corporation."
>
> [Ministry of Petroleum and Chemicals D.O. No. 68(3) Ferts. II/74(Pt) dated 15-2-75].

1.23. The Ministry further informed as follows:—

> "The matter is under consideration in the light of information supplied by the Corporation. Government's reply in regard to this recommendation will be furnished to the Lok Sabha Secretariat in the next few days."
>
> [Ministry of Petroleum and Chemicals D.O. No. 68(3)/74-Ferts. II/(Pt.) dated 6-5-1975].

1.24. The Government further informed on 17-7-1975 that they have noted the observation of the Committee regarding stock verification in the godowns of the company in Bangalore area. The undertaking had been advised to follow strictly the procedure laid down regarding stock verification.

1.25. With regard to the claims against the Railways Government have asked the company to investigate the matter fully and fix responsibility for lapses, if any, in this regard. Fertilizer Corporation of India was pursuing the claims.

1.26. With regard to the specific question of discrepancy in the Eastern Marketing Zone, short receipt of materials and other problems resulting from leakage of bags, assessment deliveries unavoidable in many cases etc. had together contributed to cumulative loss in stock. In some cases, materials were received in damaged condition and storage in bulk during off season, added to these arrangements. Shortages also arose on account of handling.

1.27. Shortages referred to relate to a period of 3-4 years during which the total turn over in the Eastern Marketing Zone was of the order of Rs. 60—65 crores. Percentage-wise the shortage was only about 0.03 per cent which does not seem significant. The Committee appointed by the Zonal Manager (EMZ) went into each individual case in great detail and concluded that because of the nature of the loss, no responsibility could be fixed on any person. Based on the Committee's report, a sum of Rs. 2.2 lakhs was written off and adjusted in the accounts for 1971-72.

1.28. The FCI had constituted a committee for evolving suitable stock taking procedure and fixing norms for shortages of fixed finished products/raw materials. This Committee had also been asked to examine the problem of shortage in godowns and to suggest norms with regard to admissible shortages.

1.29. The Committee regret that the Government have not finalised action on this recommendation so far even though it is more than a year since their report was presented to Parliament. They hope that the matter would be finalised without any further delay. They would like the Government to bear in mind that action on the recommendations of the Committee has to be completed within 6 months of the presentation of the report and, in view of this, the Government should initiate action on all the recommendations in right earnest immediately after the presentation of the report to avoid delays. The Committee would like that the action in regard to problem of shortages and fixation of norms should be finalised expeditiously and reported to Parliament.

Recommendation S. No. 38 (Para 9.26)

1.30. The Committee regretted to find that even though the Corporation had been in existence for as many as 14 years, it had failed to evolve suitable stock taking procedure and norms for shortages of finished products/raw materials. It was only while adopting the Accounts for 1969-70, the Board approved the appointment of a Survey Team consisting of M/s. A. F. Forguson & Co. Auditors and a few selected technologists to go into the whole question. Even this survey team which submitted its report in August, 1971 could not make specific recommendations for losses in various areas, although they made certain specific recommendations regarding improvement in weighment and stocktaking procedure. While accepting these recommendations of M/s. A.F. Forguson and Co. team, the Internal Consultative Committee in April, 1972 desired that Corporation should carry out a further review in certain areas and a detailed stock taking manual should be prepared. The Committee found that the task of fixation of norms of losses had been referred to another survey team headed by General, Manager, Trombay which had to go into the problem, in all details and make suitable recommendation after ascertaining the procedure in other fertilizer factories. The Committee deprecated the inordinate delay in evolving a suitable stock taking procedure and fixing norms for shortages of finished products/raw materials. The Committee recommended that the study by the Survey Team in this regard should be completed soon and a comprehensive stock taking manual got ready for the guidance of the Corporation. The Committee desired that they should be informed of the progress made.

1.31. The Secretary of the Department of Fertilizers and Chemicals informed the Chairman in regard to this recommendation as follows:—

> "The FCI have appointed a study team to go into the stock taking procedures. The report of the study team is awaited.
>
> [Ministry of Petroleum and Chemicals D.O. No. 68(3)-Ferts. II/74 (Pt.) dated 15-2-1975].

1.32. The Government further informed on 21-4-1975 that the FCI were taking necessary action to fix the norms for losses etc. and incorporate these norms in the form of a stock taking Manual as recommended by the Committee. The Manual was expected to be ready in about six months time.

1.33. The Committee would like the study team to complete its report on the stock-taking procedures expeditiously and recommend that the Government/management should lose no time after the receipt of the report of the study team to prepare a comprehensive manual on the subject for the guidance of the Corporation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation No. 3 (Para 2.34)-

The Committee find that the development of capacity for production of fertilizer in the country fell short of the target during 2nd Five Year Plan by 60 per cent. The Committee cannot but conclude that such heavy shortfalls in the development of capacities in the core sector of Plan indicate that well coordinated and systematic efforts were not made to achieve the Plan target. The Committee also note that the existing capacity in the public sector is likely to be raised four-fold from 13.30 lakhs to 58.85 lakhs tonnes by the end of the 5th Plan. Considering past performance the Committee cannot too strongly emphasise the need for planning in depth and concerted efforts on the part of all concerned with the fertilizer industry to see that the target laid down is in fact achieved in the interest of making available this essential input for increasing food production.

Reply of Government

The recommendation is accepted. Continuing efforts are being made to ensure that the production targets are achieved by the concerned units in the industry.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74 Ferts II dated 17-10-1974]

Recommendation No. 4 (Paras 2.35 and 2.36)

In so far as the FCI is concerned, the Committee find that when it came into existence on 1st January, 1961, it had a capacity of 1.17 lakhs of nitrogen, which increased to 3.86 lakhs of nitrogen in 1969-70. As admitted by the Secretary, Ministry of Petroleum and Chemicals during evidence "This remains the capacity as of today." Development of capacity to only 3.86 lakhs of nitrogen over as long a period as 12 years, cannot be regarded as impressive. The Committee note that as many as 12 projects, which are under various stages of implementation and which may add a capacity of 17.29 lakhs tonnes of nutrients have not come up on schedule. The delay in these projects have ranged from one and half years

to three and half years. The delay has been maximum in the case of Durgapur project where although mechanical erection of the plant was completed in October, 1971 it had taken almost two years to bring it to production and even now the plant is stated to be working at only 50 to 60 per cent of its capacity.

The Committee find that the production performance in the existing five plants of the Corporation during 1972-73, has been of the order of 91 per cent at Trombay, 78 per cent at Namrup, 86 per cent at Gorakhpur, 68 per cent at Nangal and 67 per cent at Sindri, of the installed capacity, the overall achievements for the FCI being 74.3 per cent. The Committee recommend that in order to step up the production of fertilizers, the Corporation should undertake a plant project-wise review of the bottlenecks in production in each of its plants so as to diagnose the causes for low-production and find solution to overcome them in the interest of maximising production.

Reply of Government

The Committee's recommendation in regard to plant-wise review of the production performance/progress in the implementation of projects to diagnose the causes of low production and ensure speedy completion of the projects is accepted. Apart from regular reviews made by the FCI management, the performance of the operating units and the progress in the implementation of projects is reviewed both internally in the Ministry and during inter-Ministerial meetings.

In regard to the Durgapur plant, where production is yet to stabilise, a foreign consultant has been engaged by the Corporation to make a comprehensive survey of the plant to find out deficiencies and bottlenecks and suggest suitable remedies. The report of the consultant has been received and is being appraised.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74 Ferts II dated 17-10-1974]

Further information called for by the Committee

(a) What concrete steps have been taken in the Durgapur Project in the light of the internal and inter-Ministry reviews to remove the bottlenecks?

(b) What are the findings of the foreign consultant who made a comprehensive survey of the plant to find out deficiencies and bottlenecks and what action has been taken on those recommendations?

[L.S.S. O.M. No. 14-PU/74 dated 14-11-1974]

Further reply of Government

In addition to the several modifications suggested by the Corporation's engineering staff, the comprehensive survey 'end to end' report of M/s. Technimont has since been discussed in detail. It has drawn attention to the needed changes in certain areas, *viz.* the instrumentation, control etc., systems to ensure steady operation at a high level. Action has already been taken (or initiated) to effect the requisite changes; these relate to changes in the pipelines in the demineralised water handling system, cooling water system and strengthening of the raw water supply line to the plant site. A plan to construct a storage reservoir within the plant area is also being pursued.

Messers S.I.I., who supplied the original equipment for the ammonia Plant at Durgapur, have agreed:

(i) to replace free of cost, a tube bundle for the boiler feed water heater, which has been a source of trouble;

(ii) supply an externally fired superheater to remove the inadequacies in the existing super-heating system, burners, safety valves etc; and

(iii) to repair the reformed gas boiler and rectify defects in the synthesis gas compressor and turbine.

There have been plant shut downs due to the failure of the power supply to the plant from the Durgapur Projects Limited's sub-station. The problem has been jointly studied in depth with Durgapur Projects Ltd. and some of the suppliers of the equipment and some corrective action has been taken. The question of developing captive power facilities to meet the essential requirements of the plant is also under consideration.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74 Ferts II dated 30-1-1975]

Recommendation No. 5 (Para 2.37)

The Committee are informed that the Ministry is proposing to set up a Cell to monitor and evaluate the performance of various units both in the public and private sector. The Committee feel that such a step should have been taken long ago at least in the beginning of the fourth Plan when development of the industry was projected on such an ambitious scale so that problems could be indentified and resolved in time. The Committee hope that this

Cell to be manned by the best experts with proven administrative skill, will come into existence without further delay and will be given the requisite backing in Government and in the field to press into full production the plants already installed and in achieving four-fold increase in production envisaged in the Fifth Plan. The Committee would like to be informed of the concrete measures taken in that behalf.

Reply of Government

There is a Project Cell in the Ministry manned by Technical Officers. The performance of operating units and the progress of projects under implementation are being continuously monitored by this project cell. In addition, meetings are taken by the Secretary of the Department periodically to review the performance of operating units and the implementation of projects. This arrangement has proved to be useful and the technical cell will be strengthened as required.

[Ministry of P&C D.O. No. 68(3)/74-Ferts. II dated 16-12-1974]

Recommendation No. 8 (Para 4.23)

The Committee while agreeing with the view that cooperatives, institutional agencies, Agro-Service Centres, etc. should be more and more utilised for distribution of fertilisers, recommend that the procedure for distribution should be so streamlined that the farmers at the village level particularly the small farmers get the desired inputs in time. The Committee recommend that the Ministry in consultation with the State Governments should make suitable provision to include in the membership of the Cooperatives representatives of small farmer in larger number.

Reply of Government

This recommendation has two aspects, *viz.*

(a) Streamlining the procedure for distribution of fertilisers at village level, and (b) enrolment of small farmers in large number in the membership of cooperatives at village level.

(a) Streamlining the procedure for distribution of fertilisers at village level

Streamlining of the cooperative distribution system to serve the interests of the farmers including small farmers is a continuous

process. Both the State Governments and the Marketing Federations, which are, in most of the States, acting as wholesalers in the cooperative distribution system are taking various steps continuously with a view to provide better service to the farmers in the matter of supply of fertilisers so that they get the fertilisers in time and at reasonable prices. Among others, the following are the measures being taken to streamline the cooperative distribution system:—

(1) Elimination of unnecessary tiers/functionaries in the system and readjustment of available distribution margins amongst them on the basis of functions performed by them.

(2) Rationalisation of the location of retail depots/reorganisation of retail depots to cover remote inaccessible areas.

(3) Imposition of discipline in the cooperative fertiliser distribution system with apex marketing federations, generally functioning as cooperative wholesalers for the whole State and assuming the responsibility for coordination of distributon arrangements, liaison with State Governments and fertiliser manufacturers, making financial arrangement etc.

(4) Strengthening the cooperative fertiliser distribution structure organisationally and financially to enable them to take up larger share of fertiliser business.

(5) Improvement in the system of accounting and other business procedures and training of personnel directly involved in fertiliser distribution activity.

(6) Providing infrastructural facilities like godowns, transport vehicles, specialised staff needed for development of fertiliser marketing.

(b) Suitable provision may be made to include in the membership of the Cooperatives Representatives of Small Farmers in large numbers

One of the major shifts in the policies in various fields of cooperative activities during the Fourth Plan period has been their reorientation in favour of the small marginal farmers, agricultural labourers and other weaker sections of the community. In the fields of cooperative credit, the idea was to ensure not only a substantial flow of the institutional credit in favour of these categories

of farmers but to also ensure that a large number of farmers belonging to the weaker sections are brought within the cooperative field. By way of incentives, various measures have already been introduced to achieve the objective. The Reserve Bank of India has indicated that atleast 20 per cent of the outstanding borrowing of the central cooperative banks from the concerned State cooperative banks may be earmarked for financing small/marginal farmers. Cooperatives are also permitted to sanction medium-term loan upto Rs. 3,500 for minor irrigation purposes without obtaining a mortgage or charge on land provided the balance of the capital outlay involved is met by the concerned borrower out of his own resources. Concessions have also been accorded to small farmers, marginal farmers and economically weak farmers in the matter of their contribution to the share capital in respect of the percentage of their borrowing and payments in instalments. The Reserve Bank of India are also providing concessional finance in respect of loans to non-agriculturists and agricultural labourers members for purchase of milch cattle and poultry farming activities. The SFDA/MFAL projects have also been giving various types of assistance to the cooperatives in the project areas. The agencies provide loans to the prospective members to purchase shares in cooperatives credit societies. All these concessions, as referred to above, indirectly help in the enrolment of a larger number of small/marginal farmers as members of cooperative institutions. The existing policies in this regard will be continued during the Fifth Plan period and implemented more vigorously.

The Delhi Cooperative Societies Act, 1972 provides for reservation of not less than 1/2 of the total number of members of the Managing Committee of Primary Agricultural Credit Societies for members belonging to the Scheduled Caste and economically weaker sections. This Ministry has requested the State Government to undertake suitable amendments to their cooperatives laws on the lines of the provisions contained in the Delhi Act.

The experiment of organising farmers' service societies, on the management of which seats to the extent of 2/3 of the total strength shall be reserved in favour of small/marginal farmers, is yet another step intended to cater in a better measure to the needs of the small/marginal farmers. Already several State Governments have organised such farmers' service societies.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Recommendation No. 10 (Para 4.36)

The Committee note that the Corporation is also utilising small dealers as a channel for distribution of fertilizers and the Committee find that out of 2639 dealers on 31-3-73, 43.5 per cent were dealers with an annual turn-over of 50 tonnes or less, 10.4 per cent with a turn-over of 100 tonnes or less, 13.4 per cent with a turn-over of less than 200 tonnes or less, 10.4 per cent with 500 tonnes and 1,000 tonnes. While noting that more and more small dealers have been introduced in the distribution of the fertilizers, the Committee would like the Corporation to exercise utmost care and caution at the time of selection of dealers, so as to ensure best service to the farmers as also obviate defalcation of money. The Committee states that names of dealers guilty of indulging in malpractices should be removed forthwith from dealership so that it acts as a deterrent to others.

Reply of Government

The Committee's recommendation is concerned. Due care is in fact already being exercised by the Fertilizer Corporation of India Ltd. in the selection of its dealers. Instructions also exist for prompt termination of dealerships of persons found to be indulging in black marketing and such like malpractices. These instructions are also being reiterated to all concerned within the Corporation.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74-Ferts. II dated 17-10-1974]

Further information called for by the Committee

Please furnish a copy of the instructions reiterating the earlier instructions regarding termination of dealership of persons found to be indulging in malpractices.

(L.S.S. O.M. No. 14/PU/74 dated 14-11-1974)

Further reply of Government

A copy of instructions dated 24-8-74 issued by the FCI reiterating their earlier instructions regarding termination of dealership of persons found to be indulging in mal-practices is enclosed herewith. [See Appendix I]

[Ministry of P&C O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Recommendation No. 11 (Para No. 4.37)

The Committee note that some State Governments like Maharashtra and Tamil Nadu have recently introduced a ration card system to ensure fair and equitable distribution of fertilizers to the farmers. The Committee would like Government to study closely the experience and working of the system in Maharashtra and Tamil Nadu so as to have it extended urgently to other States and shortages in fertilizers are being extensively experienced and would last for some years as per present indications.

Reply of Government

The Ministry of Agriculture have stated that the internal distribution of fertilizers in a State is the responsibility of the State Government. The question whether the card/permit system should be introduced or not has primarily to be decided by the State Governments taking into account the existence or otherwise of the organisational set up required to implement such a scheme. A number of States have already introduced card/permit system. The working of the Card System in Maharashtra and Tamil Nadu will be studied, as recommended by the Committee on Public Undertaking. However, as the card/permit system has been introduced very recently, a study of it will be useful only after the system has been in operation for a few months.

[Ministry of P&C D.O. No. 68(3)/74-Ferts. II dated 16-12-1974]

Recommendation No. 12 (Para No. 4.45)

The Committee note that the Corporation has introduced an Entrepreneurship Development Scheme in 1970-71 for training graduates with a view to offering them dealerships. The Committee are informed that this scheme has been extended to disabled soldiers and dependents or widows of those killed in December, 1971 war. A scheme for providing financial assistance to this category of dealers is stated to be awaiting approval of the Planning Commission while the Committee feel that it should be the endeavour of the Government/FCI to see that these socially desirable categories are also helped the Committee recommended that a critical evaluation of the scheme should be undertaken with a view to seeing that the expenditure incurred on the schemes is commensurate with the results achieved and that these agencies would subserve the larger objective of making the fertilizer available in time to the farmers. Particularly the small farmers.

Reply of Government

Recommendation is accepted.

[Ministry of P&C (Department of Ferts. and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Recommendation No. 14 (Para No. 4.62)

The Committee note that at present there are Consultative Committees at the State and District levels which help in solving the day to day problems in the distribution of fertilisers. The Committee recommend that these Committees should become broad based so as to include representatives of small farmers also so that, that Committee can take into account the difficulties of small farmers in obtaining the fertilisers in deciding the distribution. The Committee suggest that the stock position of fertilisers with dealers should be given wide publicity so that the consumers may obtain their requirements without difficulty.

Reply of Government

The Committee's recommendation is accepted. The State Governments have also been suitably addressed in this regard.

[Ministry of P&C (Department of Ferts. and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Recommendation No. 15 (Para No. 5.17 & 5.18)

The Committee note that the Corporation spent Rs. 104.86 lakhs in 1971-72 and Rs. 137.32 lakhs in 1972-73 on promotion and publicity activities. An analysis of this expenditure has shown that the percentage of expenditure on promotion alone account for 27.9 per cent of total marketing and distribution expenditure in 1971-72 and 43.9 per cent in 1972-73. The expenditure on publicity has, however, gone down from 10.9 per cent in 1971-72 to 5.2 per cent in 1972-73. The Committee note that the Corporation has already taken steps to reduce the expenditure on publicity. They have no doubt that Government/Corporation would effect further economics as fertilizer being scarce in the market no useful purpose should be served by insertion of advertisements in newspapers whose circulation in any case is mostly confined to urban areas. The Committee need hardly stress that the Corporation should continue to lay emphasis on soil testing and other after-sales services which would effectively assist in stepping up production. The Committee also suggest that where the farmers are

already fertilizer conscious, the Corporation should concentrate its activities in rendering technical advice and assistance through field demonstration with a view to educate them about the economic and advantages of the use of balanced fertilizers.

The Committee note that the entire promotion programme of the fertilizer industry, the States and the Government of India is coordinated at the State level by coordination committees. The Committee understand that the strategy of the Fertilizer Corporation of India has been to concentrate the activities of fertilizer promotion around their units with a view to promote sales and use of fertilizers within their economic zones. The Committee recommend that areas where promotion programmes are to be launched by the Fertilizer Corporation of India or the State Government should be clearly delineated to avoid any overlapping and at the same time ensure that no particular area gets neglected.

Reply of Government

The recommendation has been accepted.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/74-Ferts. II dated 17-10-1974]

Further information called for by the Committee

The Committee stressed that the Corporation should continue to lay emphasis on soil testing and other after sales services which would effectively assist in stepping up production.

The Committee also recommended that areas where promotion programmes were to be launched by the Fertilizer Corporation of India or the State Government should be clearly delineated to avoid any overlapping and at the same time ensure that no particular area got neglected.

What action has been taken on these recommendations?

(L.S.S. O.M. No. 14-PU/74 dated 14-11-1974]

Further reply of Government

The Corporation has been steadily strengthening the soil testing and other after sales services to effectively assist the farmer in stepping up crop production. During the years 1973-74, three mobile soil testing vans have been procured and pressed into service. During the years 1974-75 orders have been placed for three more mobile

soil testing vans for rendering soil testing service at the farmer's door step. The static soil testing laboratories are being steadily strengthened and the quality of analysis is being further improved for giving the farmers exact recommendations for ensuring most efficient and economic use of fertilizers.

The fertilizer education programme of the FCI includes organization of Fertiliser demonstrations in the farmers fields, organization of field days, fertilizer festivals and group discussions for educating the farmers on the correct choice and balanced use of fertilizer for optimising, and ensuring most efficient utilisation of fertilizers screening of educational films and distribution of technical literature namely leaflets, posters, crop calendars, charts etc. to reinforce the impact of fertilizer demonstrations and discussions. Qualitative improvements on the education programme are also being made continuously.

In areas where the farmers are fertilizer conscious, fertilizer demonstrations in the field and other supporting activities have been further intensified to educate them on the correct choice and balanced use of fertilizers, based on soil testing.

The fertilizer promotional programme in the States where FCI is having its programme is planned and implemented under the overall supervision of Technical Coordination Committees headed by the Directors of Agriculture of the respective States and includes the various subject matter specialists of the State Governments as well as the Chief Agronomists of the FCI. While planning the fertilizer promotional programme these Technical Coordination Committees delineate areas where the fertilizer educational activities should be implemented by FCI in order to avoid overlapping of activities as well as to ensure that no area is neglected in the fertilizer education programme.

[Ministry of P&C (Department of Fertilizers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Recommendation No. 16 (Para No. 5.26)

The Committee note that the level of consumption of fertilizers in the Eastern Zone is much lower than in the Southern and Northern Zones. It was stated that it was due partly to historical reasons but mainly because of larger rice tracts in this Zone. The Committee were informed that promotion programmes have already been launched in the context of new plants coming up in the Eastern Zone. The total production of the FCI in the Eastern Zone

when all the plants are commissioned is expected to increase from 0.1 million tonnes to 2.15 million tonnes and the level of consumption will have to be stepped up five folds to absorb the increased production. In view of this, the Committee feel that the best form of promotional activities in the Eastern Zone should be to develop potential markets in advance for the products to be manufactured by the new plants like Haldia etc. and familiarise the farmers in the use of the new products.

Reply of Government

The Committee's recommendation is accepted. The promotional programme of the FCI in the Eastern region has been carefully designed to increase the level of consumption of fertilizers in the region achieving in the process the twin objectives of building and adequate market for the fertilizers of different types being or (to be) produced from the various units of the FCI and popularising new products like triple superphosphate and nitrophosphate that would be produced in large quantities at Sindri and Haldia. The promtional programme is also suitably geared to achieve the objectives in view.

[Ministry of P&C (Department of F&C) No. 68(3)-74/ Ferts. II dated 23-10-1974]

Recommendation No. 31 (Paras No. 8.65 to 8.67)

The Committee regret to note that two sister concerns at Vijayawada were supplied fertilizers of value Rs. 1.3 lakhs and Rs. 4.15 lakhs respectively during 1969-70 against cash/draft and partly against post-dated cheques without verification of the credit worthiness or the financial standing of the parties, with the result that the post-dated cheques could not be cashed and the Corporation is faced with an outstanding of Rs. 6.23 lakhs.

The Committee also note that since recovery of the outstanding amount had become difficult, legal suits had been filed against the parties in November, 1971. The Committee were informed that while court orders had not yet been received in the case of one firm, a decree of a sum of Rs. 2.25 lakhs had been awarded by the court in regard to other. Even in this case the execution of the decree is under consideration of the solicitors, as the Income Tax Department has the first charge on the assets of the party on account of Government dues.

The Committee were informed that:

> "It was considered more prudent that we at least get a cheque instead of giving them clean credit and asking them to pay after a month."

The Committee do not share this view and recommend that appointment of dealers without verification of their financial standing or making supplies to parties on pre-signed and post-dated cheques even on the plea of disposal of stocks should not be resorted to. The Committee would like to be informed about the development.

Reply of Government

The recommendation is accepted. The Fertilizer Corporation of India have issued strict instructions to all concerned that no dealer should be appointed without proper verification of his financial standing and that no supplies should be made to the parties on pre-signed and post-dated cheques under any circumstances.

[Ministry of P&C (Department of F&C) O.M. No. 68(3)/Ferts. II dated 26-10-1974]

Further information called for by the Committee

The Committee would like to be informed about the development in regard to two sister concerns at Vijayawada.

Please furnish a copy of the instructions issued in this connection.

[L.S.S. O.M. No. 14-IU/74 dated 14-11-1974]

Further reply of Government

According to the legal advice available to the Corporation, the execution of court decrees is likely to prove infructuous since the income-tax authorities had the first charge on the limited properties of the parties concerned. The tax dues are over Rs. 40 lakhs. Some of the immovable assets have already been attached by the income-tax authorities and a house partially constructed could not be attached because there were other claimants to the title of the property.

Criminal proceedings are however contemplated against the party

In 1971 the Corporation had decided not to extend clean credit to any party. The procedure for payment was also laid down clearly which excluded payment by pre-signed blank cheques. Following the report of the Committee on Public Undertakings instructions were issued on 22nd August, 1974 (*See* Appendix II) to all Zonal Managers/Marketing Managers/Regional Managers instructing them not to accept pre-signed blank cheques.

Additional instructions were also issued dated 24th August, 1974 (*See* Appendix III) emphasising the need to verify the antecedents of parties with regard to their business dealings etc. before they are appointed FCI dealers.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilizers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30th January, 1975].

Recommendation No. 34 (Para No. 8.78)

The Committee are also informed that Government have already decided to place special responsibilities on the Financial Directors of the Board to report any major irregularity to the Board immediately so that the management as a whole becomes aware of it and knows that action is being taken. The Ministry of Petroleum and Chemicals have issued circular instruction to all the public sector undertakings in this regard. The Committee hope that the implementation of these instructions will bring about improvement in the financial discipline of the Undertakings.

Reply of Government

"Noted."

[Ministry of Petroleum and Chemicals (Deptt. of Fertilizers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30th January, 1975].

Recommendation No. 35 (Para No. 8.79)

The Committee have also come across cases in other undertakings where the Financial Directors in the Board/Financial Advisers have not been bringing important cases of irregularities/shortcomings in the working of the Undertaking promptly to the notice of the Government/Board. The Committee desire that Bureau of Public Enterprises should also issue suitable instruction to all the Public Undertakings emphasising the need for reporting such cases promptly to Government/Board.

Reply of Government

Necessary instructions have been issued by Bureau of Public Enterprises to all the Administrative Ministries concerned with Public Enterprises *vide* their O.M. No. BPE|Adv|(E)|46|68|74 dated 4th July, 1975, copy enclosed. [*See* Appendix IV].

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 26th July, 1975].

Recommendation No. 36 (Para No. 9.12)

The Committee would like Government/Corporation to keep under review the need for storage of fertilizers at principal consumer centres in the interest of ensuring uninterrupted supplies to the farmers and take timely action in that behalf.

Reply of Government

The recommendation is accepted. Fertilizer Corporation of India is in fact keeping these matters already under constant review to achieve the objective. However the Corporation's attention has been drawn to the need for prompt and continuing action, as recommended by the Committee.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 17th October, 1974].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation No. 1 (Para No. 2.31)

The Committee regret that in spite of the acknowledged role of fertilizers in augmenting the agricultural production in the country, the annual consumption of fertilizer achieved during the year 1969-70 to 1973-74 has been consistently less than the targets of consumption. The Committee note that the consumption of fertilizers in India in 1970-71 has only been of the order of 13.2 Kg. per hectare, the lowest in comparison with consumption of fertilizers in other countries. The committee recommend that in the context of persistent food shortage in the country, Government should take concerted measures to increase the tempo of consumption of fertilizer and achieve at least the modest targets laid down.

Reply of Government

Widespread use of fertilizers in India started only a decade back while in the developed countries the fertilizer use has been practised comparatively for a long time. The real break-through in fertilizer consumption in India was witnessed in 1967-68 when the high yielding varieties were introduced in our country. The fertilizer nutrient consumption of the order of 0.5 Kg./ha. in 1950-51 rose to level of 9.4 Kg/ha. in 1967-68. The consumption since then has been gradually increasing and in 1973-74 the fertilizer consumption rose to a level of 17 Kg./ha.

In view of the important role of fertilizers in increasing the agricultural production a Fertilizer Promotion Scheme costing Rs. 2.19 crores was launched by the Government of India. This scheme was implemented in the last two years of the 4th Five Year Plan *i.e.* 1972-73 and 1973-74. This scheme involved laying down of demonstrations, strengthening of soil testing laboratories, training of farmers, organisation of fertilizer festivals with a view to increase the use of fertilizers in a balanced manner. The scheme has been transferred to the State Governments during the Fifth Five Year Plan as a State Plan Scheme.

In spite of the fact that the shortage of fertilizer availability started since 1972-73, the fertilizer consumption in the country has gradually increased as can be seen from the comperative statistics of fertilizer consumption/ha. from 1970-71 to 1973-74 as given below:

Year	Consumption Kg./ha. (NPK)
1970-71	13.25
1971-72	15.90
1972-73	16.50
1973-74	17.00

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 30th January, 1975].

Recommendation No. 2 (Para Nos. 2.32 & 2.33)

The Committee also find that the gap between indigenous production and consumption of fertilizer in the country has been of the order of 8 to 11 lakhs tonnes of both Nitrogen and Phosphatic fertilizers during each of the years 1969-70 to 1972-73 and consequentially the imports during this period ranged from 4.79 lakhs to 9 lakhs tonnes per year. According to the present anticipations the consumption of fertilizer is expected to double during the Fifth Five Year Plan. Though the production is also expected to rise, the gap would still persist and is expected to be of the order of 18 lakh tonnes by the end of Fifth Plan.

The Committee are convinced that the main reason for low consumption in India is lack of availability of fertilizers. In view of the world wide shortage of fertilizers and the phenomenal increase in import price of fertilizers, the Committee apprehend that import of fertilizer would become more and more difficult in the coming years.

Reply of Government

The gap between the indigenous production of fertilizers and the demand both in regard to nitrogen and P_2O_5 is likely to continue for some time more, even by the end of the Fifth Plan period, and this gap would have to be bridged through imports from various sources. The rate of consumption of fertilizers in India slowed down since the middle of 1972 due to shortage of fertilizers. This was further aggravated by the energy crisis which escalated the fertilizer prices and also caused a global shortage of fertilizers. According to present

indications, it appears that the prevailing shortage may not persist beyond the end of the Fifth Plan period, due to the very large capacities being built in China, USSR, USA and some European countries. With the Commissioning of these Capacities, the availability of Fertilizers in the international market is bound to improve.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 17th October, 1974].

Recommendation No. 6 (Para No. 3.29)

The Committee note that in the initial stages based on the decision of a Committee of Directors, a separate marketing organisation was set up in each zone with specific functions like sales, distribution, promotion, etc. The Committee also find that the Marketing Division has been progressively expanding and the present strength of the organisation is 2025. In view of the wide gap between the demand and the availability of fertilizers in the country, the Committee see no justification for such an elaborate organisation merely for the promotion of the fertilizers except when newer varieties of fertilizers are to be introduced in the near future requiring a major marketing effort. The Committee are now informed that a policy decision has been taken in March, 1973 that at least 50 per cent of the FCI's distribution would be through cooperative societies and other institutional buyers. The Committee recommend that consequent on this decision, the Government|Corporation should consider the question of rationalising the strength of the Marketing Division with a view to utilise the staff not required for marketing in other productive and gainful activities and expansion programmes of the Corporation including the task of educating the farmers about the correct application an dosage of fertilizers. The Committee trust that Government|FCI would make suitable arrangements with the co-operatives so that when the cooperatives take over more and more distribution of fertilizers they accept the responsibility for marketing the newer products as well along with the established fertilizers.

Reply of Government

Barring about 230 employees and few others who are engaged in functional fields like Finance, Personnel, etc. the rest of the Marketing staff are being deployed for promotional work. However, in the light of the changing conditions particularly with the growing share of the co-operatives, the strength of its Marketing organisation is being rationalised by the FCI. All further recruitment in the Marketing Division has been stopped, unless there is a critical need in which

case the decision regarding the recruitment is taken at the highest level in the Corporation. Arrangements have also been made by the Corporation with the co-operatives in the various states to lift the various products from the FCI's production units in the same proportion as these products are produced. This arrangement, it is felt would take care of the new products also.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 23rd October, 1974].

Further information called for by the Committee

What is the outcome of rationalisation of the strength of the Marketing Organisation? Has the FCI been able to divert any part of the excess staff to other jobs?

(L.S.S. O.M. No. 14-PU/74 dated 14th November, 1974).

Further Reply of Government

The strength of Marketing Division has been reviewed by the Fertilizer Corporation of India. Presently, 231 officers are working in the Sales and Distribution Wings of the Marketing Organisation of the FCI, the activities of which cover practically the whole country, with responsibilities to distribute products of five producing units and seeding material for the projects under implementation.

Several new units/expansion projects of the FCI are scheduled to go into production in the course of next one or two years. The plan is to utilise the existing personnel, to the maximum extent possible, to market the additional produce, instead of going in for additional staff.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74—Ferts. II dated 30th January, 1975].

Recommendation No. 7 (Para No. 4.22)

The Committee note that on the advice of the Government of India, the Fertlizer Corporation of India took a policy decision in March, 1973 that thereafter in each state, at least 50 per cent of the production of FCI should be distributed through cooperatives and other institutional buyers and for this purpose this quantity would be placed at the disposal of the State Government. The Committee

understand that while some State Governments desire that this percentage should be increased some other were reluctant even to take 50 per cent share. The Committee also find that this decision has also put the FCI to certain dis-advantage with regard to distribution margin and lifting of slow moving products. The Committee understand that the entire question of entrusting greater share of fertilizers for distribution through cooperatives and the financial implications there of are being examined by Quraishi Committee. The Committee would like Government to rationalise the margin in such a way that the Fertilizer Corporation of India is not put to any marked disadvantage in increasing the percentage of distribution of its products through cooperatives/public channels.

Reply of Government

The Report of the Quraishi Committee has been received and is being examined in the Ministry of Agriculture. In respect of distribution margins, the objective is to see that the margins are fixed on a rational basis and accepted by all. The system of margins presently in vogue is generally related to the services rendered by the dealers. Also some small variations are admitted within the margins allowed to institutional agencies like State Government/Cooperatives etc. and private dealers particularly, as the former operates in more than one tier.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 23rd October, 1975].

Further information called for by the Committee

(a) Please furnish a copy of the Quraishi Committee Report or a summary of the findings together with the reaction of the Government thereon.

(b) Have the distribution margins been refixed in the light of the Quraishi Committee?

(L.S.S. O.M. No. 14-PU/74 dated 14th November, 1974).

Further reply of Government

(a) and (b). A copy of the Report of the Quraishi Committee is attached. (See Appendix V). The Report is under examination by the Ministry of Agriculture and Irrigation (Deptt. of Agriculture). In regard to distribution margin, it is felt that as the existing retail

prices provide for only the margin as allowed at present by the Central Fertilizer Pool, the domestic manufacturers might be persuaded to increase their margins to the level of Pool margins. As a result of Government's efforts in this direction, most of the manufacturers have revised their distribution margins. Any further revision of distribution margins will necessarily entail an increase in the retail prices of fertilizers.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 31st March, 1975].

Recommendation No. 9 (Para No. 4.24)

The Committee note that in order to regulate grant of credit to the farmers by the Cooperatives Banks, the Reserve Bank of India had only asked the Banks to set apart a minimum percentage of their lending to small farmers under the marginal farmers scheme but also to maintain separate records in respect thereof. It is also understood that while about 50 per cent of the loan sanctioned is granted in cash the rest is made available in the form of inputs like fertilizers, etc. The Committee recommend that Government should keep these arrangements under close and continuous review so that farmers particularly small farmers get fertilizers and the agricultural inputs at the right time and in adequate quantities at fair prices.

Reply of Government

The Ministry of Agriculture have intimated that the loaning procedures and policies of both cooperatives and commercial banks have been under continuous review in order to assist the weaker sections of the farming community to obtain credit with greater facility.

Adequacy of arrangements for the flow of production credit from institutional agencies for inputs including fertilizers particularly for small farmers are reviewed periodically in consultation with all concerned and appropriate remedial action is taken wherever found necessary.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II dated 15th February, 1975].

Recommendation No. 19 (Para No. 5.42)

The Committee also understand that in order to coordinate and monitor the functions of soil testing, it is proposed to set up a soil

Testing Service Institute at Faridabad during the Fifth Five Year Plan. The Committee hope that with the setting up of the Central Institute, it would be possible to achieve well established standards for soil testing.

Reply of Government

A scheme for establishing a Central Institute of Soil Testing, Fertilizer Quality Control, Services and Training during the Fifth Plan period at a cost of Rs. 1 crore was recently prepared and referred to the Planning Commission for approval. The Commission did not approve it but have suggested that in order to strengthen the soil testing laboratories of the States/Agriculture Universities, the Ministry of Agriculture could give grants for meeting the cost of the training of the State Government officials connected with the soil testing programme and also have the procurement of Atomic absorption spectrophoto meter. In this way, it is envisaged that the State/Agricultural Universities Soil Testing Laboratories would be able to coordinate and monitor the functions of the various soil testing laboratories spread all over the country. They would also be able to achieve well established standards of soil testing.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II, dated 17th October, 1974].

Further information called for by the Committee

What has been the experience of the Ministry regard to coordination in soil testing laboratories of the different States/Agricultural Universities?

(L.S.S. O.M. No. 14-PU|74 dated 14th November, 1974).

Further reply of Government

As stated in this Ministry's earlier note on the recommendation of the 50th Report of the Committee, the Planning Commission had suggested that instead of starting a Central Institute of Quality Control, Soil Testing and Training at Faridabad which would have undertaken the job of imparting training to the officers of Soil Testing Laboratories also, grants would be given to the State Governments/Agricultural Universities for the purpose, *inter-alia*, of arranging for periodic training for the officials of soil testing laboratories. The Fifth Plan scheme, as originally submitted, was, therefore, recast to provide for strengthening of the Central Fertilizer Control Laboratory at

Faridabad and soil testing laboratories in the States/Agricultural Universities. The revised scheme is yet to be implemented. It is, therefore too early to comment upon the experience in regard to coordination in Soil Testing Laboratories of different States/Agricultural Universities, envisaged in the Scheme.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)/74-Ferts. II, dated 31st March, 1975].

Recommendation No. 20 (Para No. 5.48)

The Committee note that the Corporation took up seeding programme for the first time in 1969-70 for introducing Suphala in the Trombay Zone and has since expanded this sphere of activity to the Eastern Zone where it is poised to introduce new varieties of fertilizers by 1978-79. The Committee find that the seeding programme of the Corporation suffered a set back due to delay in obtaining adequate quantities of fertilizers from imports. In the case of its requirements of ANP it was stated that the Corporation requirements in 1970-71 had been received by Government too late to enable them to be imported from abroad. The Committee recommend that requirements for seeding programme should be assessed an arrangements made for tying up with the foreign exchange essential for importing the materials well in advance to ensure that seeding programmes do not suffer a set-back for want of seeding materials. The Committee need hardly stress the necessity for a well coordinated timely and concentrated action in this regard so as to enable the Corporation to organize the seeding programmes in the interest of development of the market for various types of fertilizers to be manufactured by it.

Reply of Government

The recommendation was brought to the notice of the Ministry of Agriculture and Irrigation (Deptt. of Agriculture) who was primarily concerned in the matter. That Ministry have indicated the position as follows:

"The Government of India ascertain the seeding requirement of domestic manufacturers long before the import programme of fertilizers is drawn up for a particular period. Targets of fertiliser consumption have been fixed for different years of the Fifth Five Year Plan period, after taking into account targets of agricultural production for the same

period. Similarly targets are also fixed for domestic production of fertilizer for each year based on the actual performance of the indigenous fertilizer industry and the capacities expected to be created within that period. A comparison of the target of fertilizer application and the targets of domestic production gives a broad idea of the quantum of fertilizer to be imported. Actual imports requirements however are worked out after taking into account over and above the projected targets of fertilizer requirement as mentioned earlier, the stock likely to remain with the State Governments in the beginning of a cropping season.

The projection of fertilizer requirement for indigenous production or import requirement is done usually in terms of nutrients. The detailed import programme is however halked out in terms of specific fertilizers in such a way so as to cover the nutrients required. Among these specific fertilizers, the fertilizers needed for seeding purposes are also included. Thus materials needed for seeding purpose are not imported over and above what is normally required for the targetted agricultural production, but forms part and parcel of the same programme. Since the import programme is finalised well in advance of a particular season, import of seeding materials are also automatically taken care of sufficiently in advance. Foreign Exchange needed for the import programme is allocated by the Ministry of Finance, usually in the preceding year. The question of getting foreign exchange allocation for the seeding material also gets solved thereby.

2. The Government of India does not invite tenders for its fertilizer requirements as the general experience is that calling for tenders tends to push up the prices in the context of actual shortage. It has been decided therefore to go in for international shopping. While the shopping is carried out fertilizer needed for the seeding purpose of domestic manufacturers are kept in mind and attempts are made to procure them. There is normally no difficulty in obtaining the materials needed for seeding except in the case of certain grades with certain specifications which may not be readily available in the World Market.

3. Thus, as the materials needed for seeding are covered in the normal import programme, timely action for procurement

of the same and necessary provision of foreign exchange is more or less ensured"

[Ministry of Petroleum and Chemicals (Deptt. of Fertilisers and Chemicals) O.M. No. 68(3)|74-Ferts. II, dated 30th January, 1975].

Recommendation No. 22 (Para No. 6.11)

As admitted by the representative of the Ministry during evidence on 20th December, 1973, the prices of fertilizers in India are amongst the highest in the world. The Committee were informed that the high prices were due to the high cost of production of domestic fertilizers and the increase in the price of the imported fertilizers. The Committee stress that the FCI should take concerted measures to see that the capacity of the plants is put to ensure that fertilizers are made available to the farmers at competitive prices.

Reply of Government

The prices of the three Nitrogenous fertilizers, *viz*, Ammonium Sulphate, CAN and Urea are statutorily controlled in India under the Fertilizer Control Order. In evolving the prices for the various fertilizers, factors like the cost of production, the prices at which imports take place to augment indigenous production, the quantities to be imported are kept in view. Government agree that all possible steps should be taken—these are in fact being taken—to ensure highest possible levels of capacity utilisation and thereby bring down the production costs. Every effort is being made by Government/production units to overcome the bottlenecks that restrict production through constant review of production performance and resort to timely action to correct deficiencies.

[Ministry of Petroleum and Chemicals (Department of Fertilisers and Chemicals) O.M. No. 68(3)-74/ Ferts. II, dated 23-10-1974].

Further information called for by the Committee

Please indicate the nature of the steps taken to overcome the bottlenecks that restrict production.

[L.S.S. O.M. No. 14|PU|74 dated 14-11-74].

Further reply of Government

Nangal: The Nangal plant is capable of operating at rated capacity provided its full requirement of power, which is 164 MW, is supplied. However, the plant is presently receiving only about 72 MW of

power due to the need to divert additional power to meet the requirement of agriculture. A large scale expansion programme has been taken up at Nangal, which when completed in early 1976 would reduce the dependence of the Nangal fertilizer plant on power, bringing down its requirement to 36 MW. The plant, after expansion, would be using fuel oil as feedstock.

Sindri. Production at this plant has been limited due to the ageing condition of the plant and paucity of the right type of coal needed in the cokeoven and other inputs. Several measures, both short-term and long-term have been taken to improve the performance of this unit. Apart from repairs and renovation in different sections of the old plant, a scheme known as the Sindri Rationalisation Scheme is under implementation for production of triple superphosphate. This would eliminate dependence on indigenous gypsum, the quality and supply of which often present problems. In addition, a large scale expansion and modernisation scheme known as the Sindri Modernisation Scheme has also been taken up for implementation. This scheme when implemented, would increase the nitrogen capacity at Sindri by 129,000 tonnes per annum and would be based on heavy petroleum fractions as feedstock in lieu of the coke/coke-oven gas used presently.

As short-time measures, arrangements have been tied up with the Railways to provide adequate wagons to move relatively better quality gypsum from Mohangarh in Rajasthan to Sindri to meet the requirement of the Sindri plant.

It has also been possible to allot Kargali washed coal to meet the requirement of the Sindri plant. This coal is of suitable quality and would enable Sindri to improve its performanee.

As the quality of pyrites supplied to Sindri is below 40 per cent, a quantity of imported sulphur is being used to enrich the feed to the sulphuric acid plant.

Trombay: Frequency fluctuations and voltage dips have been the main factors responsible for restricting production at the Trombay fertilizer plant. A Committee has studied the problem and considered corrective measures to enable the plant to withstand the variations in frequency. The findings were discussed with the concerned agencies and it would appear that till the power supply position improves or the plant sets up captive power generation facilities to cover the critical requirements, loss in production due to frequency fluctuations cannot be avoided.

Gorakhpur. One of the factors limiting production at this plant has been defects that developed in the air plant. These defects have been studied by Japanese exprts and modifications based on their recommendations were carried out. The Corporation's own experts are further studying the problems in consultation with the Japanese experts.

The minimize lasses due to power interruptins action is also being taken to instal captive power generation facilities at the Gorakhpur plant to meet the requirements of critical equipment.

Namrup. A number of modifications and requirements have been carried out in the ammonia-urea, sulphuric acid and ammonium sulphate plants and these plants are now running satisfactorily.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilizers & Chemicals O.M. No. 68(3)/74-Ferts. II dated 30-1-75].

Recommendation No. 25 (Para No. 7.11)

The Committee also recommend that the standards evolved by the Indian Standards Institution for storage of packed fertilizers should be made use of if and when construction of godowns for storage of fertilizers is found necessary.

Reply of Government

Presently, fertilizer corporation of India does not have godowns at the field level, where necessary, the godowns belonging to the Central Warehousing Corporation are being used for fertilizer storage in the field.

The Ministry of Agriculture, who were consulted, have stated that standards recommended by the I.S.I. for storage of packed fertilizers will be placed before the Standing Committee of Experts on manures and fertilizers for consideration before it is commended to the State Government Food Corporation of India, Central/State Warehousing Corporations, etc. for adoption.

[Ministry of P & C (Deptt. of F & C) O.M. No. 68(3)-74/ Fests. II dated 23-10-1974].

Recommendation No. 26 (Para No. 8.14)

The Committee note that a private firm in Baroda placed orders for Sindri ammonium sulphate and ammonium sulphate nitrate for 3000 and 4500 tonnes respectively in April, 1970. The Committee regret to note that on the suggestion of the firm, the Corporation not

only agreed to store the material in the godowns of the firm, even before the sale was effected and to sell them subsequently thus avoiding Central Sales Tax, but also allowed the firm to have the keys of the godowns contrary to the practices of the FCI. The Corporation allowed credit facilities to the firm without verification of the credit worthiness of the firm. It was also reported that in September, 1970 there were floods and part of the fertilizers from the godowns was washed away. When debit note for the value of the fertilizers washed away was sent to the firm, the debit note was not accepted by the firm. The Committee are surprised to find that in spite of these and also certain cheques for interim payments given by the firm having bounced from the Bank without encashment, the corporation continued to supply the material; with the result that for supplies made by the Corporation to the firm, a sum of Rs. 5.83 lakhs was outstanding for payment as on 31st March, 1973. The Committee also note that the FCI could not take any legal action against the firm as the letter of the firm placing the firm order with the Corporation was reported to be missing. The Committee are informed that an Enquiry Committee was appointed in March, 1972 by the General Manager, Trombay to go into the matter in detail. The Enquiry Committee in its Report given in January 1974 have stated that they have not been able to locate any letter of discussions held with the firm for supply of material, the Sales Manager had not exercised any control, there was no inspection of any of the centres even once, the keys of the godowns were allowed to be with the firm at the discretion of the Area Manager without knowledge of the higher authorities, adequate care was not taken to safeguard the stock and there was no partition wall to separate the stocks of FCI from those of the firm, that "unfortunately all the defaulting officers namely, the Deputy Marketing Manager, Sales Manager and Area Manager, Gujarat who were entrusted with this work have since left this organisation and are no longer available to render full details of the case. The Area Manager resigned while on leave and did not hand over charge to anyone. Final settlement of his account has, therefore, been withheld." The Committee fail to understand as to how the officers connected with the case were allowed to leave the organisation when an enquiry into the case was in progress. The Committee take a serious view of the whole case and recommend that Government should immediately make a thorough probe into the matter and fix responsibility for the lapses after taking into consideration the recommendations of the Enquiry Committee.

The Committee also recommend that the Corporation should take steps to realise the amount due from the firm expeditiously.

Recommendation No. 27 (Para No. 8.32 & 8.33)

The Committee regret to note that the Corporation gave dealership to a firm in Bijapur (AP) in June, 1969 on certain terms and conditions, without verifying the credit worthiness of the party, and made supplies of fertilizers to the party without any sales agreement therefor. According to Internal Audit, a sum of Rs. 5.10 lakhs was stated to be outstanding against the party for supplies made to it from December, 1969 to March, 1970. The Committee also find that as the party failed to make the payment, a suit was filed against the party on 8th February, 1973 and it is still awaiting final hearing. The Committee are surprised to find that the shortcomings in the case were never reported to the higher authorities and it was only when the outstandings were reviewed and the case was referred to CBI some time in December, 1971 that the case came to the notice of the Director of Production. From the report of the CBI on the 23rd December, 1972, the Committee find that even as early as July, 1971 an Enquiry Committee was appointed by the Director of Production to review the overdue balances of the area office and according to the report submitted by the Enquiry Committee in November, 1971, the Sales Manager had exceeded his powers of authority in allowing large scale credit to the party. The investigation by the CBI disclosed that the financial standing of the party was far from satisfactory. Both the Sales Manager and the Accounts Officer had disregarded the instructions of the Corporation and did not obtain prior approval of the terms and conditions from the General Manager and the Accounts Officer were not even aware of the huge quantities of fertilizers supplied to the party. The Committee are concerned to find that in spite of the Enquiry Committee Report of November, 1971 and subsequently when the investigation by the CBI was taken up on December, 1971 the Sales Manager was allowed to resign on 28th December, 1971 and was relieved of his duties on 13th January, 1972. The Committee take a serious view of the matter and recommend that Government should investigate into the whole affair and fix responsibility for the lapses.

The Committee are also informed that though the CBI recommended departmental action against the Senior Accounts Officer, action against him had been kept pending investigation by CBI in another case. The Committee would like to be informed of the results of the enquiry and the action taken against him. The Committee would also like to be kept informed of the further developments of the case and the concrete action taken against the delinquent officials.

Recommendation No. 28 (Para 8.45 to 8.49)

The Committee note that sum of Rs. 1.66 lakhs was outstanding against a firm in Bombay on 31st December, 1972 in respect of Suphala sold to them on April, 1971. The Committee regret to note that Trombay Unit in contravention of the usual terms and conditions of release of goods by Railway Receipts retired through Bank gave indemnity bond to the Railway Authority to clear the goods without production of RRs without the knowledge of the Bank with the result that the Corporation was asked by the Bank to collect its dues directly from the party. The Committee find that the party had given one cheque book to one of the officers of the Trombay Unit duly signed for using the cheque book. A cheque for Rs. 1.7 lakhs out of cheque book was dishonoured by the Bank as the party had stopped payment of the cheque. The Committee deprecate the system of receiving payments through pre-signed blank cheques.

The Committee find that when the legal notice was served on the party to realise the outstandings, it made counter claims on 29th May, 1972 to the extent of Rs. 3.36 lakhs towards commission, rebate, claim for damages etc. and allowed the matter to drag on till January, 1973.

The Committee also find that the Corporation took a decision on 2nd January, 1973 to recover the dues of Rs. 1.5 lakhs from the party by offering them straight nitrogen fertilizers. Accordingly towards the cost of such fertilizers, an addition of Rs. 50,000 per wagon was collected from the party to liquidate the old dues and the party was asked to furnish a bank guarantee of Rs. 1.1 lakhs. Though the party completely liquidated the dues including the payment for the straight fertilizrs delivered to them partly by cash and partly by bank draft, the firm so managed that the sight drafts received by the bank were not presented to them.

The Committee are not happy at the manner in which the entire case has been dealt with *viz.* not enforcing the terms and conditions of the purchase order releasing the RRs on indemnity without the knowledge of the bank and accepting pre-signed blank cheques which were ultimately dishonoured. The Committee would like that entire matter should be thoroughly investigated and responsibility for the lapses fixed with a view to taking action against the delinquent officials.

The Committee have been informed that the party had completely liquidated the dues including the payment for straight fertilizers

delivered to them partly by cash and partly by bank drafts. The Committee are not sure whether in reaching the settlement, the counterclaim made by the firm were taken into account and the settlement effected in the best interest of the Corporation. The Committee would like to be kept informed of the position.

Recommendation No. 33 (Para 8.76 and 8.77)

As admitted by the Secretary of the Ministry during evidence, these irregularities indicate laxity of financial and administrative control in the Corporation. The Committee have already recommended that these cases should be investigated with a view to fixing responsibility for the lapses. The Committee expect that investigation of thse cases would be done with utmost promptitude and action taken against delinquent officials so as to act as deterrent to others in future.

The Committee also recommend that Government/Corporation should critically review all cases of amounts outstanding for over one year to ensure that there is no lacuna in the procedure measures taken to realise the amounts are adequate and effective and causes of the delays are brought to the notice of the higher authorities and the Board in time.

Reply of Government

Joint Secretary (Fertilizers) in the Deptt. of Fertilizers and Chemicals has been nominated as the Enquiry Officer to investigate into the marketing transactions referred to by the Committee with a view to fixing responsibility for the lapses. The enquiry would be completed expeditiously.

As regards the Commitee's recommendation that all cases of amounts outstanding for over one year should be critically examined to ensure that there is no lacuna in the procedure, measures taken to realise the amounts are adequate and effective and that cases of delay are brought to the notice of the higher authorities and the Board in time. It may be stated that the FCI management have initiated action to review such outstandings as on 31st December, 1974 and take appropriate follow up measures to recover them. Sales are now effected only against Letter of Credit/Bank guarantee/documents through banks except in the cases of Government agencies and institutional buyers. Also, internal audit cells have been set up in all zones to review and report on the observance of the procedures and practices laid down in regard to the above matter. The internal

Audit Deptt. at the Central office also periodically goes into the working of the various units including the Marketing Department with a view to seeing that procedures are followed and lapses are reported to top management.

[Ministry of Petroleum and Chemicals (Deptt. of Fertilizers and Chemicals) O.M. No. 68(3)/74-Ferts. II, dated 18th February, 1975].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 32 (Para No. 8.73 to 8.75)

From the few cases which came to the notice of the Committee through internal audit reports during the examination of the undertaking, the Committee find that management in their anxiety to dispose of large stocks of fertilizers which the Trombay and Sindri units had during 1966 to 1970-71 adopted certain measures which cannot be considered to be financially sound, and as a consequence of which the Corporation was faced with large outstandings to be realised from the dealers and most of these cases were stated to be under litigation. The shortcomings of these cases were (a) that a proper assessment of the credit worthiness or business reputation of the dealer was not made, (b) sales on credit were made without proper approval and without collaterals; (c) acceptance of post-dated or pre-signed cheques: (d) hiring of private godowns, and leaving the keys of the godowns with the dealers; (e) non-verification of stocks in godowns; (f) delays in taking action for realisation of outstanding dues as accuracy of balances could not be established and (g) absence of important documents and in some cases the original orders for supply.

8.74. The Committee are distressed to find that not only certain transactions were made without financial concurrence but even the reporting of these cases to Central Office or Board has been either slow or over-looked. The Committee are surprised to find that when cases were under investigation either departmentally or through CBI, some of the officials connected with these cases were allowed to resign and leave the jobs. The Committee would like Government to fully investigate the matter as to how officials in public undertakings whose conduct is under investigation on charges of defalcation of money or for committing serious irregularities which are deterimental to the interest of Public Undertakings are allowed to resign without being conclusively called to account. The Committee would like Government to plug loopholes, laxity in procedures which allowed some of these delinquent officers to indulge in malpractices and then leave the undertakings with impunity thus escaping accountability.

Another aspect which the Committee would like to urge upon Government is the need for initiating criminal precedings where justified on the basis of *prima-facie* evidence so that the guilty are brought to book without delay thus acting as a deterrent.

Reply of Government

The general issue contained in the recommendation was considered by the Bureau of Public Enterprises in consultation with the Central Vigilance Commission some time back and suitable instructions have been issued to all the undertakings in regard to the verifications of past services of applicants for employment in public undertaking. A copy of the instructions issued is enclosed. (*See* Appendix VI) The Bureau has also issued instructions to the effect that in respect of top posts in public enterprises, if the selected candidate is a person who had previously worked in another public undertaking or a departmental public undertaking. The administrative Ministry concerned with the undertaking should ascertain demi-officially at the level of the Secretary of the Ministry, the circumstances under which he left the previous assignment before deciding to appoint him.

The specific observation of the Committee about the action taken by the FCI management in relieving certain officers of the Corporation even while an enquiry was in progress as brought out in the Committee's report in paras 8.14 (*viz.*, the Dy. Marketing Manager, Sales Manager and Area Manager, Gujarat) and 8.22 and 8.30 (the Area Manager, Bangalore) will be kept in view and gone into during the investigation ordered by Government into these cases.

The Committee's recommendation regarding the need for initiating criminal proceedings where justified, on the basis of *prima facie* evidence, so that the guilty are brought to book without delay, is also kept in view. The Corporation has been advised to look into the cases of these persons with a view to taking appropriate further action in the light of these recommendations.

[Ministry of P&C (Deptt. of Ferts. & Chemical) O.M. 68(3)/74-Ferts. II, dated 30-1-1975]

Comments of the Committee

Please see paragraphs 1.8 to 1.14 of Chapter I of the Report.

Recommendation No. 37 (Para No. 9-18 to 9.20)

The Committee regret to note from the Internal Audit Report of October, 1970 that no physical verification of stocks in any of the godowns in Bangalore area had been done. The Committee are also concerned to find that in 1970-71, in the eastern zone on account of non-reconciliation of stock figures with book balances, a discrepancy of Rs. 4.89 lakhs was noticed. The Committee were informed that as a result of investigation done by two Committees, it was found that the discrepancy included claims against Railways amounting to Rs. 2.69 lakhs and the balance of Rs. 2.2 lakhs accounted for losses in handling of materials covering a period of 4 years prior to 1971-72 which were recommended to be written off.

The Committee are not sure whether claims against Railways had been preferred in time and adequate action taken for their realisation. The Committee would like Government/Undertaking to investigate into the matter, and fix responsibility for lapses, if any, in this regard.

The Committee were also informed that a separate Committee was appointed by the Zonal Manager, Eastern Marketing Zone to go into the losses in handling of materials in West Bengal Region while the percentage of loss was more and this Committee was of the view that no responsibility could be fixed on any person for such losses. The Committee note that ultimately the entire amount of Rs. 2.2 lakhs was written off for purposes of adjustment in the accounts of 1971-72. The Committee were informed that the losses in the godown stocks have been the result of the combination of several operational factors like short receipt of material, receipt of material in damaged condition, storing of material in bulk in off season and higroscopic nature of the chemical fertilizers. Although according to the Management, such a problem does not exist now, since practically the entire limited stocks stored in the areas are with the States or Central Warehousing Corporations who give the certificate of reconciliation at the end of each year, the Committee are not sure whether such reconciliation of stock has been done in other zones of the Corporation and any losses of this nature have been written off. The Committee would like that this matter should be gone into by the Corporation and result intimated to them. The Committee also recommend Government/Corporation should on the basis of the experience lay down suitable norms for such handling losses and strictly enforce them. The Committee expect Government/Corporation to make prompt and detailed enquiries wherever such norms are exceeded so as to take suitable remedial action.

Reply of Government

Government have noted the observation of the Committee regarding stock verification in the godowns of the company in Bangalore area. The undertaking has been advised to follow strictly the procedure laid down regarding stock verification.

With regard to the claims against the Railways Government have asked the company to investigate the matter fully and fix responsibility for lapses, if any, in this regard. Fertilizer Corporation of India is pursuing the claims.

With regard to the specific question of discrepancy in the Eastern Marketing Zone, short receipt of materials and other problems resulting from leakage of bags, assessment deliveries unavoidable in many cases, etc., have together contributed to cumulative loss in stock. In some cases, materials were received in damaged condition and storage in bulk during off season, added to these arrangements. Shortages also arose on account of handling.

Shortages referred to relate to a period of 3-4 years during which the total turn over in the Eastern Marketing Zone was of the order of Rs. 60—65 crores. Percentage-wise the shortage was only about 0.03 per cent which does not seem significant. The Committee appointed by the Zonal Manager (EMZ) went into each individual case in great detail and concluded that because of the nature of the loss, no responsibility can be fixed on any person. Based on the Committee's report, a sum of Rs. 2.2 lakhs was written off and adjusted in the accounts for 1971-72.

The Committee on Public Undertakings is also aware that FCI have constituted a committee for evolving suitable stock taking procedure and fixing norms for shortages of fixed finished products/ raw materials. This Committee has also been asked to examine the problem of shortages in godowns and to suggest norms with regard to admissible shortages.

[Ministry of P&C (Deptt. of Ferts. & Chemical) O.M. No. 68(3)/74-Ferts. II, dated 17-7-1975].

Comments of the Committee

Please see paragraphs 1.19 to 1.29 of Chapter I of the Report.

Recommendation No. 38 (para No. 98.26)

The Committee regret to note that even though the Corporation has been in existence for as many as 14 years, it has failed to evolve suitable stock taking procedure and norms for shortages of finished products raw materials. It was only while adopting the Accounts for 1969-70, the Board approved the appointment of a Survey Team consisting of M/s. A. F. Ferguson & Co. Auditors and a few selected technologists to go into the whole question. Even this survey team which submitted its report in August, 1971 could not make specific recommendations for losses in various areas, although they made certain specific recommendations regarding improvement in weighment and stock taking procedure. While accepting these recommendations of M/s. A F. Ferguson & Co. team, the Internal Consultative Committee in April, 1972 desired that Corporation should carry out a further review in certain areas and a detailed stock taking manual should be prepared. The Committee find that the task of fixation of norms of losses has been referred to another survey team headed by General Manager, Trombay which has to go into the problem, in all details and make suitable recommendation after ascertaining the procedure in other fertilizer factories. The Committee deprecate the inordinate delay in evolving a suitable stock taking procedure and fixing norms for shortages of finished products raw materials. The Committee recommend that the study by the Survey Team in this regard should be completed soon and a comprehensive stock taking manual got ready for the guidance of the Corporation. The Committee would like to be informed of the progress made.

Reply of Government

The FCI are taking necessary action to fix the norms for losses, etc., and incorporate these norms in the form of a stock taking Manual as recommended by the Committee. The Manual is expected to be ready in about six months' time.

[Ministry of P&C (Deptt. of F&C), U.O. No. 68(3)|74-Ferts. II, dated 21-4-1975].

Comments of the Committee

Please see paragraph 1.30 to 1.33 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation No. 13 (Para No. 4.59)

The Committee note total expenditure on sale and distribution including promotion and publicity has increased from Rs. 199.36 lakhs in 1970-71 to Rs. 279.47 lakhs in 1972-73. Consequentially, the expenditure per tonne of material handled has also risen from Rs. 18.39 per tonne in 1970-71 to Rs. 26.17 per tonne in 1972-73. The Committee are informed that the selling and distribution expenses is of the order of 3 per cent of the turn-over exclusive of distribution margin and freight and if these are added, the cost of distribution may work out to about 15 per cent of the turn-over value. The Committee consider that in the present conditions of scarcity of fertilizers, which are likely to continue for some years, the increase in expenditure on sales and distribution is not justified. The Committee are also surprised that so far no analytical study of the marketing cost was undertaken either by Government or by the FCI nor any proforma accounts were maintained to assess the financial results of working of each marketing zone. The Committee need hardly stress the imperative need for making such an analytical study so that FCI could identify areas where economies in cost could be effected and procedure activities for marketing streamlined. The Committee would like every economy to be effected in publicity and Sales Organisation in the interest of reducing to the minimum such overhead expenditure.

Reply of Government

The Fertilizer Corporation of India is being asked to set up a suitable committee to make a study of the Marketing costs etc. and to identify areas where economies could be effected and procedures/activities streamlined.

As regards the preparation of proforma accounts zone-wise to assess their relative financial performance, the FCI management has

already taken a decision to introduce this system of accounting from the year 1973-74.

[Ministry of Petroleum and Chemicals D.O. No. 68(3)/74-Ferts. II dated 16th December, 1974].

Further information called for by the Committee

(a) When was F.C.I. asked to set up the Committee to make a study of the marketing cost?

(b) Has the Committee made a study and submitted its report.

(c) If so, what steps have been taken as a result of recommendations of the Committee.

[L.S.S. O.M. No. 14-PU/74 dated 8th May, 1975].

Recommendation No. 17 (Para No. 5.30)

The Committee note that the Corporation tried a package approach of making available vital inputs including fertilizers and finance in 'Waduth' village in Maharashtra. It has been claimed that this experiment was a success and the total revenue from agricultural crops in this village is stated to have risen from Rs. 2 lakhs to Rs. 22 lakhs per annum. The Committee were informed during evidence that this approach was being adopted in 17 selected villages all over India. The Committee recommend that as stated by the Chairman and Managing Director of Corporation during evidence this being quite an expensive approach, the Corporation should critically evaluate the impact of this approach and thereafter consider the desirability of extending it to other villages in a phased manner.

Reply of Government

The Fertilizer Corporation of India has made a critical evaluation of the 'package approach' scheme referred to and this has shown that the scheme, apart from being expensive, involves coordination with several agencies and certain other problems. The Corporation propose to extend the scheme in selected areas on a phased basis.

[Ministry of Petroleum and Chemicals D.O. No. 68(3)/74-Ferts. II dated 16th December, 1974]

Further information called for by the Committee

The critical evaluation of the "package approach" scheme shows that the scheme apart from being expensive, involves coordi-

nation with several agencies and certain other problems. All the same Corporation propose to extend the scheme in selected areas on a phased basis. This appears to be self-contradictory. Please clarify.

(L.S.S. O.M. No. 14-PU/74 dated 8th May, 1975).

Recommendation No. 18 (Para No. 5.40 and 5.41)

The Committee note that soil testing is an integral part of the fertilizer promotion programme and forms the basis for advising the farmers as to the correctness and balanced dosage of fertilizers for a particular crop in different soil conditions. It is in fact the pivot round which the entire programme of promotion and extension revolves. The Committee also note that Fertilizer Corporation of India as a premier organisation in the fertilizer field has taken the lead and made elaborate arrangements for soil analysis free of cost for the benefit of the farmer, and for this purpose, the Corporation has set up 12 static and 9 mobile laboratories. The Committee also note that the Department of Agriculture have, in addition, under the Centrally sponsored Fertilizer Promotion Programme set up mobile soil testing laboratories in the States and Union Territories and have further programmes in the Fifth Plan to augment the number of these laboratories and strengthen them.

The Committee recommend that the Government/Corporation should ensure that their programme are integrated with the promotional measures of the State Government and the Fertilizer industries to avoid any over laping. The Committee suggest that promotional efforts of the Corporation should be linked with its production programmes in order to promote the use of different types of fertilizers produced by it in the interest of increasing agricultural output. The Committee recommend that the Corporation should periodically evaluate the implementation of the soil testing recommendations to the farmers with a view to seeing that the advice given to them is actually followed and results in increased agricultural production.

Reply of Government

The Government of India has already suggested to the States to make adequate provisions in their State plans to set up one laboratory in each district and also to ensure that their activities are so orientated as to avoid overlapping with private/public sector soil testing laboratories. The objective is to see that the States' programmes are properly integrated with the promotional measures of the Government of India/the fertilizer industry for efficient use of fertilizers.

To evaluate acceptance by the farmer of the soil testing recommendations in respect of selection and use of fertilizers, a comprehensive programme of follow-up has been started by FCI. The objective is to locate farmers, who do not take advantage of the results of soil testing and also educate such farmers or help them to overcome such obstacles as they might have in adopting the recommended practices.

[Ministry of P&C Deptt. of Fertilizer Chemicals No. 68(3)/74-Ferts. II, dated 30th January 1975].

Further information called for by the Committee

The Committee expect that this will be followed up with the State Governments.

(L.S.S. O.M. No. 14-PU/74, dated 8-5-1975).

Recommendation No 21 (Para No. 6.10)

The Committee note that in respect of three straight nitrogenous fertilizers, the prices are fixed by the Government of India under the Fertilizer (Control) Order promulgated under the Essential Commodities Act. In respect of other fertilizers on which there is no statutory control, the prices are being fixed in keeping with the prices of fertilizer distributed through the pool. The Committee stress that the prices of fertilizers should be got prominently displayed for the information of the customers. The Committee are informed that the Fertilizer Corporation of India keeps liaison with the state Governments and that action is taken against the offenders under the Fertilizer Control Order/Essential Commodities Act. The Committee stress that an effective watch should be kept on the distribution arrangements for fertilizers under the Essential Commodities Act so that anyone infringing the price control is proceeded with promptly and awarded deterrent punishment. The Committee would like Central Government to maintain a close liaison with State Governments to ensure that the powers available under the Essential Commodities Act and the State inspection machinery are put to full use in the interest of making available fertilizers to the farmers at prescribed prices.

Reply of Government

The suggestion regarding display of fertilizer prices is accepted in principle. However, the manner in which it should be enforced is

under consideration. Government of India have also been urging the State Governments from time to time to exercise the powers vested in them under the Essential Commodities Act and Fertilizer (Control) Order, 1957 to prevent and punish the offenders indulging in malpractices. A close liaison is also being maintained with the State Governments who have been requested to send quarterly reports showing the number of prosecutions etc. launched and other action taken against the offenders. These reports enable the Government of India to keep a close watch on the situation and take such corrective action as is necessary.

[Ministry of P&C Deptt. of Fertilizer and Chemicals O.M. No. 68(3)/74 dated 30-1-1975].

Further information called for by the Committee

Has any action been taken in the matter? If so, please indicate.

(L.S.S. O.M. No. 14-PU/74, dated 8-5-1975).

Recommendation No. 23 (Para No. 6.16)

The Committee find that Government have accepted the suggestion to have the price of fertilizers marked on the bags. The Committee desire that necessary steps should be taken without delay by Government to amend the fertilizer Control Order so as to make it obligatory on the part of the manufacturers to indicate suitably the price of the fertilizers on the bag so that it may serve as a guide to the consumers to pay the appropriate price and nothing more.

Reply of Government

As the Committee has been informed, Government have decided that in respect of the three main nitrogenous fertilizers, price of which are controlled, the maximum selling prices should be printed on the fertilizer bags. Government propose to introduce this arrangement through a notification under the Fertilizer Control Order 1957. The necessary notification is expected to issue shortly.

[Ministry of P&C Deptt. of Fertilizer and Chemicals O.M. No. 68(3)/74-Ferts. II, dated 15-2-1975].

Further information called for by the Committee

Kindly furnish a copy to the notification, if it has since been issued.

(L.S.S. O.M. No. 14-PU/74, dated 8-5-1975).

Recommendation No. 24 (Para No. 7.16)

The Committee find that the Fertilizer Control Order 1957 issued under the Essential Commodities Act, 1955 provides for standards and enforcement there of so that both the quality and plant nutrient contents of fertilizers distributed to the farmers are of the highest order. The State Government have their inspection machinery to take frequent representative samples and test them through State Control Laboratories to maintain a check on the quality of fertilizer supplied to farmers. Though the Committee were assured by the FCI that pilferage or adulteration of fertilizer at the point of production was completely ruled out, they were informed that it had not been possible to work out a foolproof system of guarding against pilferage and adulteration completely. The Committee urge that the State Governments may be advised to tighten their enforcement machinery and develop quick and foolproof methods for spot-detection of unscrupulous dealers indulging in adulteration of fertilizers and deal with them sternly.

Reply of Government

The Ministry of Agricultural and Irrigation (Deptt. of Agriculture) to whom the Committee recommendation was communicated have stated as follows:—

"The State Governments have been repeatedly addressed to strengthen adequately the existing quality control facilities in the States. They have also been requested to draw maximum possible number of fertilizer samples from the godowns, sale points of the dealers engaged in fertilizer trade and get them analysed in the fertilizer quality laboratories and bring the results to the notice of the farmers and take adequate measures as per Fertilizer (Control) Order in case the samples were found to be adulterated or substandard.

Presently, there are 16 fertilizer quality control laboratories functioning all over the country. Besides, 7 soil testing laboratories are also engaged in the fertilizer quality control work. The capacity of these laboratories is roughly of the order of 13,000 samples per annum. During the year 1973-74 about 12,000 samples were collected by the various State Governments from the various sales points/godowns and got analysed in the fertilizer control laboratories. Suitable action was initiated in case where the fertilizer samples were found adulterated/sub-standard. The State Governments were addressed to develop spot detection tests

for fertilizers. The question of inclusion of spot detection test in the fertilizer control order is presently under consideration of the Standing Committee on Manures and fertilizers set up by the Ministry of Agriculture. During the Fifth Five Year Plan, the fertilizer quality control facilities in the States are to be strengthened/enforced further by establishing 36 quality control laboratories under a centrally sponsored programme."

[Ministry of P&C Deptt. of Fertilizer and Chemicals O.M. No. 68(3)/74-Ferts. II dated 30-1-1975]

Further information called for by the Committee

The question of inclusion of spot detection test in the fertilizer control order is presently under consideration of the standing Committee on Manures and Fertilizers set up by the Ministry of Agriculture. Has any decision been taken? If so, what is it.

(L.S.S. O.M. No. 14-PU/74 dated 8-5-1975).

Recommendation No. 29 (Paragraph 8.52)

Recommendation No. 30 (Paragraph 8.58 to 8.60)

Comments of the Committee

Please *see* paragraphs 1.1 to 1.7 of Chapter I of the Report.

NEW DELHI;

28th July, 1975

6th Sravana, 1897 (*Saka*)

NAWAL KISHORE SHARMA,

Chairman,

Committee on Public Undertakings.

APPENDIX I

[*Vide* reply to recommendation at S. No. 10]

TELEX/TPM/EXPRESS TELEGRAM NO. 171 FROM: ZONAL MANAGER (C) NEW DELHI TO ZONAL MANAGER(E) CALCUTTA, MARKETING MANAGER TROMBAY, REGIONAL MANAGER CHANDIGARH AND REGIONAL MANAGER LUCKNOW.

GIVEN BELOW IS AN EXTRACT FROM THE RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WITH REGARD TO THE APPOINTMENT OF DEALERS AND THE NEED FOR REMOVING DEALERS FOUND INDULGING IN MAL-PRACTICES:—

> "WHILE NOTING THAT MORE AND MORE SMALL DEALERS HAVE BEEN INTRODUCED IN THE DISTRIBUTION OF THE FERTILIZERS THE COMMITTEE WOULD LIKE THE CORPORATION TO EXERCISE UTMOST CARE AND CAUTION AT THE TIME OF SELECTION OF DEALERS SO AS TO ENSURE BEST SERVICE TO THE FARMERS AS ALSO OBVIATE DEFALCATION OF MONEY (.) THE COMMITTEE STRESS THAT NAMES OF DEALERS GUILTY OF INDULGING IN MAL-PRACTICES SHOULD BE REMOVED FORTHWITH FROM DEALERSHIP SO THAT IT ACTS AS DETERRENT TO OTHERS" (.)

IN VIEW OF THE RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS YOU ARE REQUESTED KINDLY TO FURTHER STREAMLINE YOUR SELECTION OF DEALERS (.) IN ALL CASES BEFORE A DEALER IS APPOINTED HIS ANTECEDENTS WITH REGARD TO BUSINESS DEALINGS SHOULD BE CAREFULLY VERIFIED THROUGH OUR SALES PERSONNEL IN THE CONCERNED AREA (.) ALSO IN CASE OF SELECTION OF DEALERS THE AGRICULTURAL PRODUCTION COMMISSIONER/DIRECTOR OF AGRICULTURE OF

THE STATE OR HIS NOMINEE INVARIABLY BE ASSOCIATED (.) IN NO CASE THE SELECTION OF DEALERS BE FINALISED WITHOUT ASSOCIATING THE STATE GOVERNMENT REPRESENTATIVE AS MENTIONED ABOVE (.)

WITH REGARD TO ACTION TO BE TAKEN AGAINST DEALERS WHO INDULGE IN MALPRACTICES YOUR ATTENTION IS INVITED TO THIS OFFICE LETTER NO. MKT:RES:31 DATED 4TH SEPTEMBER 1973 (.) IN ALL CASES WHERE A REPORT IS RECEIVED ALLEGING ANY OF OUR DEALER INDULGING IN MALPRACTICE THE DEALERSHIP SHOULD BE IMMEDIATELY SUSPENDED AND THE DEALER SHOULD BE REMOVED FROM OUR DEALERSHIP AS SOON AS HE IS FOUND GUILTY (.)

Sd/-
N. M. VACHHRAJANI
ZONAL MANAGER (C).

APPENDIX II

[*Vide* reply to recommendation at S. No. 31]

TELEX/TPM/EXPRESS TELEGRAM NO. 160 DATED 22.8.1974 FROM: ZONAL MANAGER (C) NEW DELHI TO ZONAL MANAGER (E) CALCUTTA, MARKETING MANAGER TROMBAY, REGIONAL MANAGER CHANDIGARH AND REGIONAL MANAGER LUCKNOW.

REPRODUCED BELOW IS AN EXTRACT FROM THE RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS:—

"THE COMMITTEE DEPRECATE THE SYSTEM OF RECEIVING PAYMENTS THROUGH PRE-SIGNED BLANK CHEQUES" (.)

DIRECTOR (MARKETING) DESIRES THAT UNDER NO CIRCUMSTANCES PAYMENT SHALL BE ACCEPTED FOR SALE OF FCI'S/IMPORTED PRODUCTS THROUGH PRE-SIGNED BLANK CHEQUES (.) YOU ARE REQUESTED KINDLY TO TAKE NOTE OF THIS FOR STRICT COMPLIANCE (.) MESSAGE OVER.

Sd/-

N. M. VACHHRAJANI
ZONAL MANAGER (C).

1055 LS—5

APPENDIX III

[*Vide* reply to recommendation at S. No. 31]

TELEX/TPM/EXPRESS TELEGRAM FROM: ZONAL MANAGER (C) NEW DELHI TO ZONAL MANAGER (E) CALCUTTA, MARKETING MANAGER TROMBAY, REGIONAL MANAGER CHANDIGARH AND REGIONAL MANAGER LUCKNOW.

GIVEN BELOW IS AN EXTRACT FROM THE RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WITH REGARD TO THE APPOINTMENT OF DEALERS AND THE NEED FOR REMOVING DEALERS FOUND INDULGING IN MALPRACTICES:—

> "WHILE NOTING THAT MORE AND MORE SMALL DEALERS HAVE BEEN INTRODUCED IN THE DISTRIBUTION OF FERTILIZERS THE COMMITTEE WOULD LIKE THE CORPORATION TO EXERCISE UTMOST CARE AND CAUTION AT THE TIME OF SELECTION OF DEALERS SO AS TO ENSURE BEST SERVICE TO THE FARMERS AS ALSO OBVIATE DEFALCATION OF MONEY (.) THE COMMITTEE STRESS THAT NAMES OF DEALERS GUILTY OF INDULGING IN MALPRACTICES SHOULD BE REMOVED FORTHWITH FROM DEALERSHIP SO THAT IT ACTS AS DETERRENT TO OTHERS" (.)

IN VIEW OF THE RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS YOU ARE REQUESTED KINDLY TO FURTHER STREAMLINE YOUR SELECTION OF DEALERS (.) IN ALL CASES BEFORE A DEALER IS APPOINTED HIS ANTECEDENTS WITH REGARD TO BUSINESS DEALINGS SHOULD BE CAREFULLY VERIFIED THROUGH OUR SALES PERSONNEL IN THE CONCERNED AREA (.) ALSO IN CASE OF SELECTION OF DEALERS THE AGRICULTURAL PRODUCTION COMMISSIONER/DIRECTOR OF AGRICULTURE OF THE STATE OR HIS NOMINEE INVARIABLY BE ASSOCIATED (.) IN NO CASE THE SELECTION OF DEALERS BE FINALISED WITHOUT ASSOCIATING THE STATE GOVERNMENT REPRESENTATIVE AS MENTIONED ABOVE (.)

WITH REGARD TO ACTION TO BE TAKEN AGAINST DEALERS WHO INDULGE IN MALPRACTICES YOUR ATTENTION IS INVITED TO THIS OFFICE LETTER NO. MKT:RES:31 DATED 4TH SEPTEMBER 1973 (.) IN ALL CASES WHERE A REPORT IS RECEIVED ALLEGING ANY OF OUR DEALER INDULGING IN MALPRACTICE THE DEALERSHIP SHOULD BE IMMEDIATELY SUSPENDED AND THE DEALER SHOULD BE REMOVED FROM OUR DEALERSHIP AS SOON AS HE IS FOUND GUILTY (.) MESSAGE OVER.

Sd/-
N. M. VACHHRAJANI
ZONAL MANAGER (C).

APPENDIX IV

[*Vide* reply to recommendation at Sr. No. 35]

MINISTRY OF FINANCE BUREAU OF PUBLIC ENTERPRISES (FINANCE DIVISION) O.M. No. BPE/Adv(F)/46|68/74 dated the 4th July, 1975 regarding Shortcomings and irregularities in the working of the Public Sector Enterprises—Requirements for bringing to the notice of the Board/Government.

The Committee on Public Undertakings in its 50th Report (5th Lok Sabha) has recommended that—

> All important issues of shortcomings and irregularities in the working of the public sector undertakings need to promptly brought to the notice of Government/Board.

Government accept this recommendation.

2. It has been already laid down in BPE'S D.M. No. 47|Adv(F)|BPE/68/5 dated 12th September, 1968 that "the FD/FA of Public Sector Enterprises should be encouraged to actively participate in the Board meetings and put forward his views wherever he considers it necessary rather than doing only when asked to do so". Moreover, all the FDs/FAs in Public Sector Enterprises apart from other Directors including the Chief Executives, have got the right to include topics for discussion in the agenda papers of the Board meetings. They should utilise the right *inter alia* to have all important cases of shortcomings and irregularities in the working of the undertakings included in the agenda notes for the Board meetings.

The Chief Executives as well as Government's representative on the Boards of the Public Sector Enterprises *viz.*, those drawn from the Administrative Ministries and the Finance Ministry, should also bring such cases to the notice of the competent Government authority, whenever they consider it necessary.

3. The Ministry of Industrial Development, Petroleum and Chemicals etc. are requested to issue suitable instructions to all concerned.

Sd/-
(A. K. ROYCHOWDHURY),
Deputy Adviser (Finance).

To

All the Administrative Ministries connected with Public Sector Undertakings.

APPENDIX V

[*Vide* reply to recommendation at Sr. No. 7]

REPORT OF THE QURAISHI COMMITTEE

1. *Background*

1.1. The cooperative organisations and other institutional agencies had been representing for some time that some manufacturers located within the concerned States had not been extending full cooperation either in supplying fertilizers to them or providing them with the appropriate distribution margin. The fertilizer, availability situation during the past few years has not been satisfactory. Shortage of fertilizer in the international market, increase in demand/consumption in the country coupled with increased international prices gave rise to malpractices. These alongwith cuts in distribution margin led to difficulties for cooperatives. The National Commission on Agriculture meanwhile submitted to Government a Report on Fertilizer Distribution system with a number of recommendations for improving fertilizer distribution system.

1.2. The manufacturers however represented that (i) their cost of production had gone up considerably during the past couple of years on account of increased imposts on various fertilizer raw materials, machinery etc.; (ii) frequent power interruptions and State levies on power, etc. led to disruption in production; (iii) as a result of the 1966 decision of the Government of India to allow progressive freedom of marketing to domestic manufacturers, many of them had invested huge sums in developing their marketing arrangements. Private dealers could manage within the prescribed margin but the public sector agencies could not because of the existance of additional tiers in the distribution system; (iv) some of the cooperatives which operate through 3-4 tiers system are more costly. It is, therefore, not possible for manufacturers to provide the distribution margins asked for by the cooperatives; and (v) some of the cooperatives have run into heavy arrears resulting in holding up of capital of manufacturers.

1.3. The problem of reconciling the social objectives of fertilizer distribution with the profitability of manufacturing units in the country became a serious problem which required urgent consideration.

Accordingly, Government of India in the Ministry of Agriculture called a meeting of the manufacturers and the cooperatives alongwith concerned Ministries/Departments on May 11, 1972. At that meeting it was decided that time had come to evolve a constructive approach towards the problems of fertilizer distribution in a time of relative scarcity. The recommendations of National Commission on Agriculture had to be carefully considered. In order to consider the various issues involved, a Committee was constituted with the following:—

CHAIRMAN:

1. Shri M. A. Quraishi, Secretary, Department of Community Development and Cooperation.

MEMBERS:

2. The Agricultural Production Commissioner, Government of Orissa.
3. A representative of the Ministry of Petroleum and Chemicals.
4. A representative of the National Cooperative Development Corporation.
5. A representative of the Punjab Cooperative Marketing Federation.
6. A representative of the Fertilizer Corporation of India.
7. A representative of the Fertilizer Association of India.
8. Joint Secretary (Inputs), Deptt. of Agriculture—Convenor.

The following were coopted as members by the Committee.

9. Agricultural Production Commissioner, Uttar Pradesh.
10. Development Commissioner, Punjab.
11. Agricultural Production Commissioner, West Bengal.
12. Shri S. L. Mehta, Director, Amoco (India) Inc., New Delhi.

2. *Terms of Reference*:

2.1. The Committee was assigned the following terms of reference:—

(a) To study the recommendations of the interim report of the National Commission on Agriculture with regard to the distribution margins, reduction in number of tiers and other related matters; and

(b) To study the share of cooperative organisations and other institutional agencies in fertilizer distribution with specific

reference to the responsibility of cooperatves to expand fertilizer distribution in the interior areas.

2.2. At its meeting on 31st May, 1972, the Committee posed the following issues for its consideration:—

(i) The need for some kind of formal long-term agreements for a period of not less than 3 years between manufacturers on the one side and cooperatives and other institutional agencies on the other hand, seemed to be established particularly in the context of the fact that the relative scarcity of fertilizers was likely to continue for some years. The issue, therefore, was the extent to which such arrangements can be entered into with minimum infringement of the freedom of marketing given to the manufacturers.

(ii) What would be the norms in allocating the percentage share of the cooperatives etc. in the total quantity of fertilizers distributed in each State. It may be relevant to consider whether this percentage should be a percentage of the total quantum distributed in the State or the total production of the factory located within a State.

(iii) While there was no doubt that costs of production have increased, it was for consideration whether there was any scope for increasing the consumer prices. In the context of the progressive reduction in distribution margins announced by some manufacturers, the available choices were two: (a) the wholesale prices of manufacturers should be statutorily fixed; or (b) the manufacturers should guarantee a reasonable distribution margin to the distributing agencies within the terms of the long-term agreements.

(iv) A related question was that of prices. In the case of fertilizers whose prices were not statutorily controlled, the only remedy was that manufacturers should commit themselves to a certain issue price in the agreement and should not go back on the commitment.

(v) The cooperative and institutional agencies for their part should at all costs, discharge the commitments imposed on them by virtue of the agreement, especially concerning regularity of offtake, prompt payment discharge of interest and other obligations. Since the agreements would be entered into by them directly without the medium of the State Government, they would have to assume full responsibility to work the agreement on a commercial basis.

(vi) The desirability of creating some kind of support organisation in the form of State level Committee in which the manufacturers' and State Governments' representatives will be associated may be considered. Perhaps disputes arising as a result of the failure of either party to discharge its obligations under the agreement could be referred to the Union Department of Agriculture for informal arbitration. This possibility could be considered.

2.3. The Committee held four meetings on 31st May, 1972, 3rd July, 1972, 30th March, 1973 and 17th July, 1973. At its meeting held on 3rd July, 1972 the Committee directed that the Agricultural Production Commissioners of the States should convene meeting with the manufacturers supplying to the States concerned and representatives of the cooperatives, to decide on the nature of long-term agreements to be entered into and the percentage share to be given to the cooperatives. If there were irreconcilable differences of opinion in any particular case, the matter could be referred to the Ministry of Agriculture. It was decided that the Fertilizer Association of India and the Ministry of Agriculture would address the manufacturers and State respectively on this decision.

2.4. In regard to the question of fixing a reasonable distribution margin, the Committee set up a sub-committee consisting of Miss Anna R. George, Joint Secretary (Inputs), Department of Agriculture (Chairman), Shri Satya Nand, Fertilizer Association of India, Dr. S. K. Mukherjee of Fertilizer Corporation of India, Shri M. M. K. Wali of N.C.D.C. and Shri N. K. Sreenivasan, Joint Secretary in the Ministry of Petroleum and Chemicals, which was to recommend an appropriate distribution margin, keeping in view broadly the views expressed by the Ministry of Petroleum and Chemicals and by the National Commission on Agriculture.

2.5. The various issues mentioned above were discussed and the result of discussions are set out below:—

3. *Percentage share of Cooperatives and long-term agreements between Cooperatives and Manufacturers.*

3.1. In the discussions of the Committee, there were no two opinions about the need to encourage the cooperatives. The representatives of the Industry as well as those of the Ministries concerned, agreed that the cooperatives should be given an adequate role in fertilizer distribution. This had, however, to be viewed from the point of view of the capacity of the cooperatives in individual States to take on such a responsibility and discharge it efficiently. One view

was that the existing three tier system of cooperative working was considered by the manufactures as unnecessary increase in distribution costs. This was countered by the argument that the Apex Cooperatives had a vital role to play in the Cooperative distribution system especially in the matter of rendering the required financial assistance to the lower level cooperatives. The Apex Federation was often the agency best fitted to obtain the required financial assistance for fertilizer distribution. In this regard it was decided that the decision as to the level/tiers in the cooperative system which should handle the business of fertilizer distribution should be left to the existing committees constituted in each State to go into the question of fertilizer distribution. The Committee noted the fact that already a Committee had been set up by the National Cooperative Development Corporation to study the question of streamlining the cooperative distribution system.

3.2. The representatives of the Industry and the Cooperatives also represented that the Agro-Industries Corporations stood on a different footing. These Corporations, the NCDC argued, were established primarily to develop the manufacture and distribution of agricultural machinery and implements. They were also in some cases utilising private agencies for undertaking retail distribution of fertilizers, obviously due to limitations in their own organisational arrangements for undertaking this activity on a wide base. Such activity created unhealthy competition for the cooperatives. This question was considered and it was felt that it was desirable to encourage both the cooperatives and Agro-Industries Corporations in distribution of fertilizers since the cooperative organisation is at present not so well equipped in all areas to handle the work. The distribution of fertilizers is also one of the legitimate functions of the Agro-Industries Corporations. However, it was to be ensured that the Agro-Industries Corporations do not utilise private agencies for the distribution of fertilizers but distribute them only through cooperatives or their own Agro-service Centres.

4. *Percentage share of cooperatives*:

4.1. As decided at the meeting of the Committee, held on July 3, 1972, a communication was addressed by the Ministry of Agriculture to all the Agricultural Production Commissioners in the States to hold meetings with the manufacturers and arrive at the percentage of production from manufacturers which could be distributed through cooperatives and other institutional agencies of their States and at the same time examine the possibility of entering into long-term arrangements for this purpose with the manufacturers providing for

sanctions and penalties for any default by either side. Most States, in reply, have generally suggested 50 per cent to 60 per cent as the share of domestic production for distribution through cooperatives and other agencies, while a few States, like Haryana, Bihar and Uttar Pradesh suggested a share between 70 to 75 per cent. Andhra Pradesh Government was of the view that instead of fixing percentages, every year a process of consultation with all concerned, including the Cooperatives may be gone into and a fair share for them determined. The Government of Tamil Nadu wanted the percentage to be fixed with reference to the sales plan of the Cooperative Marketing Federations in that State and not with reference to the sales plan of the manufacturers.

4.2. The Fertilizer Corporation of India in the meantime had decided to market at least 50 per cent of the quantities of fertilizer specified under the relevant Essential Commodities Act Order to the State Governments for distribution provided that:—

(i) The State Governments concerned distribute the above quantities through cooperatives and other public institutional agencies and not utilise private trade channels for the purpose;

(ii) the payment and other terms for the above quantities will be settled between the Corporation on the one hand and the State Governments/Cooperatives on the other to their mutual satisfaction; and

(iii) The State Government will take 50 per cent of all the types of fertilizers produced by the factory concerned in the proportion in which such fertilizers are produced.

4.3. This decision of the Fertilizer Corporation of India was welcomed by the Committee and further discussion on the question of percentage share was conducted on the basis of this decision of the Fertilizer Corporation of India, which is the single largest, producer of fertilizer in India. Some cooperatives like the MARKFED of Punjab and also Government of Uttar Pradesh were of the opinion that they could handle and were prepared to take over even 100 per cent of the Fertilizer Corporation of India's production for distribution. As against this it was argued by the Industry that if 100 per cent of the distribution was to be through the cooperatives or other institutional agencies, it would create monopoly condition, and, as in other sectors of the economy, would not be in the interests of consumers and that the farmer would get best services if there was healthy competition as among two or more sales agen-

cies. Also, under Government's policy statement of 1966, freedom of marketing had been granted to fertilizer manufactures for a period of seven years. Fixing of rigid norms would, it was argued, be in violation of that policy. The cooperatives were already handling a sufficiently good percentage of indigenous production besides major portion of the supplies from the Central Fertilizer Pool. Besides, the manufacturers had already developed a distribution network which would be needlessly disrupted if a large share of the distribution was suddenly transferred to cooperatives. The representatives of the FAI did not favour any minimum percentage. At best, they contended, 50 per cent could be recommended as a 'desirable' minimum. On the other hand, representatives of N.C.D.C. and MARKFED Punjab wanted the minimum percentage to be fixed at least at 75 per cent.

4.4. Keeping in view the fact that, income of the States, the cooperatives were handling as high as 70—80 per cent of fertilizer marketed and also because of the fact that it was desirable to allow a certain percentage for private parties also in the interest of healthy competition, the Committee decided that the share of the cooperatives and public agencies might not be less than 50 per cent to be decided by negotiations between the manufactures and States/ Cooperatives. Where the percentage being handled by Cooperatives and public agencies is already more than 50 per cent, it shall not be reduced. It was also decided that the decision will not apply to the agreements entered into by the manufacturers with their dealers, in pursuance of the agreements entered into by the Government with the manufacturers of their principals, during the currency of such subsidiary agreements. However, they will fall in line with the general decision, if and when the existing subsidiary agreements are to be renewed.

4.5. The Committee had also debated at length the question whether the percentage should be fixed statutorily or be left to negotiations. One view was that if the percentage question was left to the parties to negotiate, it would defact the very purpose of the Committee. The guidelines must come from the Committee, because the State Governments would not by themselves be able to get the cooperation of the manufactures. On the other hand, it was suggested that no statutory backing need be given to such a decision, since the percentage share of cooperatives would differ from State to State. Also, as the Committee had decided to recommend a range of 50 to 75 per cent as cooperatives share, it should be left to the two parties to negotiate the exact percentage between 50—75 per cent and that agreement should form the authority for

enforcement of the decision. The Committee, therefore, decided that the percentage should not be fixed statutorily at present and may be decided by negotiations at a figures above 50 per cent.

5. *Long-term arrangements*:

5.1. At the meeting convened by the State Governments with the manufacturers in pursuance of the decision of this Committee referred to earlier in this Report, many of the manufacturers expressed their unwillingness to enter into long-term agreements, especially with cooperatives. In Haryana and Orissa, manufacturers suggested agreements on a year-to-year basis. The Punjab Government mentioned a number of practical obstacles in the way of concluding such long-term agreements with manufacturers, such as the basis for determination of prices, the problem of tackling fluctuations in price arising from various Government levels, failure of manufacturers to supply for genuine reasons, *e.g.*, non-availibility of wagons, power cuts etc. Utar Pradesh Government also stated that the price factor was the main bottleneck in the finalisation of long-term agreements. Notwithstanding the problems enumerated above, which will have to be settled, there was a consensus in the meeting of the Committee that long-term agreements were generally welcome and acceptable in principle. The industry, however, felt that such agreement should be linked not to the production of a factory but to the sales plan of a particular manufacturer operating in the States, since the sales plan may be governed by a number of factors such as economic freight zone, preference of the particular fertilizer for a particular crop, manufactures' interest in developing the market in a new project area, etc. The Committee, therefore, decided that the percentage to be mentioned in the long-term agreements would be linked to the quantities mentioned in the supply plan decided upon at the Zonal Conferences.

6. *Monitoring Committee*:

6.1. In order to consider and find a solution for the problems mentioned above and for resolving disputes that may arise in the implementation of the decisions of the Committee, the Committee recommended that a Central Monitoring Committee be set up at the Centre comprising the representatives of the Department of Agriculture, the Department of Cooperation, Ministry of Petroleum & Chemicals, the State Governments and manufacturers and such other members as the Government may decide to appoint.

7. *Distribution Margins*:

7.1. The question of revision of Distribution Margins was first

considered by a Sub-Committee appointed by this Committee and later discussed by this Committee.

7.2. The existing system of distribution margin is based on the recommendations of the Committee of Fertilizer (1965) known as the Sivaraman Committee. The Committee visited a number of States and studied the distribution margins for fertilizers in the light of the changes that had taken place since the distribution margins were previously recommended by the Fertilizer Distribution Enquiry Committee in 1960. On the basis of principles enunciated by the Sivaraman Committee, the Pool had adopted certain distribution margins for various fertilizers which were expected to be followed by the industry. In the past, the leadership set by the Pool in respect of prices and distribution margins has been generally followed by the industry. It was, therefore, not found necessary to fix the distribution margins on a statutory basis. Instead, a system of announcing the Pool issue prices for various fertilizers has been followed while, however, fixing under the statute the retail prices of a new important nitrogenous fertilizers (now three in number). Recently, however, manufacturers have tended to move away from the Pool's pattern of distribution margins and raised their issue prices for various fertilizers reducing the distribution margins in the case of those fertilizers whose end-prices are statutorily controlled. This has also had the effect of inducing traders to put up retail prices even at the risk of violating the law in the case of the three nitrogenous fertilizers. The question, therefore, arose whether the existing system of statutorily fixing the end-prices of few fertilizers and announcing the Pool's distribution margins for adoption by the manufacturers was adequate to ensure that the distribution system was justly compensated for the cost of distribution services.

7.3. Recent developments seem to indicate that the above situation is not a satisfactory one and there has been a demand for some system of statutorily fixation of the distribution margin or, in other words, statutory fixation of both the issue prices and the end prices.

7.4. The Sivaraman Committee considered that a fair distribution margin for fertilizers must take into account the following factors:—

(i) Adequate net commission should be ensured for both wholesalers and retailers. The suggested net commission was 1 per cent for wholesalers and 2½ per cent for retailers.

(ii) The per tonne-mile cost on transport from rail-head to retail depot should be realistically assumed. The Com-

mittee was of the view that the average distance from rail-head to retail depot was much more than 20 miles and that the rate per tonne-mile ranged from 15 to 30 paise. The Committee, therefore, recommended an average transport cost of Rs. 10/- per tonne to be provided for in the distribution margin.

(iii) There should be provision for 4 months' holding of stock by the whole-sale distributor.

(iv) Godown charges should be fixed on the basis of storage for an average period of 6 months.

(v) Adequate provision should be made for handling and administrative charges and for expenditure on supervision and publicity.

(vi) An incentive commission of Rs. 2 per tonne should be provided in order to promote healthy competition among depot holders for sales promotion of fertilizers.

7.5. Keeping the above considerations in view and after consulting the State Governments and other agencies engaged in distribution and after taking the effects of the 1966 rupee devaluation into account, the margins were fixed w.e.f. 1967 at rates corresponding to but slightly exceeding those recommended by the Sivaraman Committee in 1965. These margins which are currently in force are Rs. 55/- per tonne in the case of sulphate of ammonia and Rs. 80/- per tonne in the case of Urea.

7.6. The National Commission on Agriculture (1971) studied the prevailing distribution margins and in the light of the increase in the cost of various operations in the distribution chain have proposed a revised distribution margin which is substantially higher.

7.7. The recommendations of the National Commission on Agriculture are as follows:—

Recommendation No. 27:

The Pool may allocate to the cooperative sector an additional Rs. 2/- per tonne (making in all Rs. 4/- per tonne) of fertilizer supplied as promotion incentive. This will support a fertilizer promotion venture. In order that the incentive bonus produced the desired result, a fair margin to the primary societies and the various links should be ensured according to the responsibilities undertaken.

Recommendation No. 27

All fertilizer producers should give special margins for bulk purchase to the Apex cooperative organisations. The National Co-operative Development Corporation should urge the apex organisations in the States to negotiate bulk purchase contracts with the Fertilizer Corporation of India and other fertilizer producers.

Recommendation No. 29

In addition to 30 days' credit given by the fertilizer producers, three months' interest charges should be provided in the distribution margin between the wholesaler and retailer together. Where the fertilizer is moved directly to the retailer and the wholesaler acts as a go-between the one-month credit allowed on the goods should be sufficient for the wholesaler. Three months' credit or in other case of quick-selling fertilizer whatever is the fair interest charge should go to the retailer. Where the goods are stored by the wholesaler and then passed on to the retailer, interest charges of three months may be divided between them suitably according to the relative responsibility for holding the stocks.

Recommendation No. 30

The storage charge of three months will be paid to the retailer if he takes stocks directly from the factory or the main depot and to the wholesaler if he acts as the storage point for smaller retailers. In the latter case, a nominal temporary storage charge of Rs. 1.50 per tonne should be added in the margin to be paid to the retailer. Three months' storage charge with handling and loading alongwith interest charges for the holding for three months on the average should accrue to the factory or the main distributor whoever undertakes this responsibility in the fertilizer distribution chain.

Recommendation No. 31

There must be a rationale in the allowance of transport margin to wholesaler and retailer to ensure transport of fertilizers to interior areas. The Fertilizer producers must follow one of the two alternative as given below and provide necessary margins in their terms of business to wholesalers and retailers:—

(a) Estimate the distance from railhead to the wholesalers' or retailers' godowns to which the fertilizer stocks move and fix for each wholesaler and each retailer a transport margin per tonne of fertilizer he takes:

(b) Divide the wholesalers and retailers who take stocks into 3 or 4 classes based on the distance of the godown

from the railhead and given slab rate to avoid individual calculations.

In dealing with the cooperative marketing system at its apex, the producer can work out an average transport charge, which can be based on an accepted pattern of distribution to retail heads and the task of paying actual transport to marketing societies and primary cooperatives can be left to the cooperative organisations.

Recommendation No. 32 (Revised break-up of distribution margins)

In the distribution margin, the margin for transport charges from railhead destinations to wholesalers' and retailers' godowns should be increased from Rs. 10/- to Rs. 15/-. Provision for handling charges should be raised from Rs. 5|- to Rs. 8|-. The storage charges should be raised from the present 80 paise per tonne per month to Rs. 1.50 per tonne per month on an average holding of stocks for six months. The interest allowance be raised from 8 per cent to 10 per cent.

7.8. The issues facing the Sub-Committee were, therefore:—

(i) Should the distribution margin be uniform for both imported and domestic fertilizers and should it be increased from the levels adopted by the Pool as suggested by the Commission?

(ii) If the distribution margin is to be increased, how is the extra cost to be met?

(iii) What should be the system of regulating the distribution margins?

7.9. The discussion in the sub-Committee headed by Miss Anna R. George was confined only to the question of assessing an appropriate distribution margin which should be given by the manufacturers to cover genuine costs of distribution. The other point whether the margin should be fixed statutorily or should be merely indicative was left to be decided by the main committee.

7.10. In regard to the need for fixing uniform distribution margin, it was argued by the industry that the conditions of distribution varied considerably from area to area, product to product and State to State. The margin should be a matter of commercial judgement. The storage and finance charges and storage allowance for the Pool supplies were higher. No uniform margin could thus be fixed. Also the margins had to be related to the service rendered. On the other hand, it was argued by cooperatives and State Governments that in

a situation of scarcity it would not be fair for manufacturers to allow the market forces to determine what should be the distribution margin because this led to blackmarketing and other malpractices by unscruplous traders. There had, therefore, to be some degree of regulation of the distribution margin. Besides, the Central Fertilizer Pool handled only about 30 per cent to 40 per cent of the nitrogenous fertilizers. It was, therefore, essential to ensure that a reasonable compensation was given to the distribution system. This could be ensured only through an average distribution margin in which all varieties could be built.

7.11. During the course of discussions in the sub-Committee on the various components constituting the distribution margin, there were divergent views and the following different suggestions were recorded by the sub-Committee in respect of distribution margin for urea:—

Sl. No.	Item	Provision in the existing distribution margin	Provision recommended by N.C.A.	Provision suggested by industry.	Provision suggested by Cooperatives.	Provision suggested by Chairman of the Sub-Committee
1	2	3	4	5	6	7
1	Commission to dealer					
	(i) Wholesaler	7·60(1%)	8·40(1%)	21·00	8·40 (1%)	8·40(1%)
	(ii) retailer	19·00(2½%)	21·00(2½%)	(½%+½%)	21·00(2½%)	21·00(2½%)
2	Incentive Commission (to be funded)	2·00	4·00*	0	2·00	2·00
3	Administrative Charges	1·00	1·00	1·00	1·00	Nil (in view of (9) below)
4	Transport Charges					
	(i) Railway to wholesale godown	2·00	15·00	10·00	15·00	15·00
	(ii) Wholesales godown to retail godown)	8·00				
5	Loading & Unloading					
	(i) Wholesaler	2·50	8·00	5·00	8·00	7·00
	(ii)	2·50				
6	Godown rent for wholesaler & retailer for six months.	4·80	9·00	3·00	9·00	6·00
7	Storage for wholesaler and retailer	3·80	(a) 4·20 (b)4·20 (cooperative)	0	8·40	8·40

1	2	3	4	5	6	7
8	Interest charges (4 months on average) . .	20·30	42·00	21·00**	42·00	21·00
9	Supervision, publicity, etc.	6·50	5·60	5·00	5·60	5·00
	TOTAL . .	80·00	122·40	66·00	120·40	93·80

7.12. The main Committee, therefore, went into the various constituents of the distribution margin on the basis of what had been suggested by the Chairman of the Sub-Committee (Column 7 of the table given above). The following modifications were suggested:—

(1) Item No. 1 (Commission to dealers) and item No. 9 (Supervision, publicity etc.) should be clubbed together. The 'Commission' must include over-head charges. It was also agreed that as a result of deletion of the elements of supervision, publicity etc. from the 'Distribution Margin', the manufacturers would take responsibility for these services.

(2) *Transport Charges*

The provision for Transport charges should be broken up into two parts, *i.e.* transport from rail-head to wholesale godown and from the whole-sale to the retail godown. It was represented to the Committee that provision for these two or one of these could be made depending on whether loading and unloading was done at both the points or at one point. In some cases the supply was direct from the factory to the retail point and as such only one item was involved. This position was accepted and the Committee decided that a provision of Rs. 5.80 might be deleted from the provision indicated by the Chairman of the Sub-Committee, *i.e.* instead of Rs. 15, the provision of Rs. 9.20 was accepted. This had been suggested so as to exclude the element of service, which is present only in some instances.

(3) *Interest Charges*

The National Commission on Agriculture had held the view that the average holding of stocks will be for six months.

*Rs. 2.00 for Cooperative for promotion and Rs. 2·00 to be funded.
**Rs. 21 minus and interest free credit actually given by the manufacturer.

They have, therefore, proposed an interest allowance at the rate of 10 per cent for storage of 6 months. The Committee also had occasion to discuss the question of storage period. The manufacturers' representatives represented that, on an average the duration of stocking of fertilizers did not exceed three months because producers in India operated not in one State alone but in three or four States. This position did not find favour with the Committee. The Committee was informed that in States like Punjab, stocking was done for a period of 7 to 8 months. Also, the stocking for Rabi and Kharif was not equal. For Rabi, the duration of stocking was three times that for Kharif. The Committee also took note of the fact that the Venkatappiah Committee had suggested 2 turnovers for cooperatives it has suggested only 2½ turn-overs for private trade. The Committee, therefore, suggested that the four months period of stocking in very reasonable and the interest charges be worked on the basis. At the rate of 10 per cent for four month's storing, the interest charges work out to Rs. 28.

7.13. On the basis of the above recommendations, the distribution margin for Urea would work out to Rs. 93.05 as per details given below:—

1.	Commission to dealer	
	(i) wholesaler	8·79
	(ii) retailer	21·97
2.	Incentives Commission (to be funded)	2·00
3.	Administrative Charges	..
4.	Transport Charges	9·20
5.	Loading and Unloading	7·00
6.	Godown rent for wholesaler and retailer	6·00
7.	Shortage for wholesaler and retailer	8·79
8.	Interest Charges (4 months stocking on average)	29·30
	TOTAL:	93·05

The Committee decided to recommend the margin as Rs. 95/-.

7.14. The Committee had also considered the question whether the margin should be fixed statutorily. The State Governments, N.C.D.C. and Cooperatives including MARKFED of Punjab felt strongly that in view of the experienced gained there would be no true implementation of the recommendations unless it was statu-

torily enforced. They pleaded for a statutory issue price for fertilizers delivered at the railway destination with at least 30 days credit against confirmed letter of credit. If the manufacturers preferred to supply fertilizers at any other place the price could be mutually agreed upon, deducting a fair estimate of expenses from the statutory issue price. The fertilizer industry was not in favour of such a statutory fixation of issue price in view of diversified conditions. Considering the pros and cons, the Committee decided that the margins need not be fixed statutorily but expressed the hope that the gentlemen's agreements arrived at by the Committee would be meticulously honoured by all. The Committee also wishes to record here the strong sentiments expressed by the Ministry of Petroleum and Chemicals and the Fertilizer Industry that with the increase in margins the Government must also consider increasing the end prices of fertilizers. They also suggested that the ex-factory prices be increased by the amount of increase in the margins.

APPENDIX VI

[*Vide* reply of recommendation at S. No. 32]

Ministry of Finance Bureau of Public Enterprises Office Memorandum No. 2(20)/73-BPE (GM I)—II. dated the 23rd April, 1973. Verifications of past service of applicants for employment in public undertakings:—

The Central Vigilance Commission have observed that instances have come to their notice where officers of public undertakings against whom Departmental proceedings were to be initiated resign from the enterprise by invoking the contractual clause in order to avoid such proceedings and manage to secure alternative employment in other public undertakings. The Commission have, therefore, stressed the need for incorporating a specific column in the proforma for employment in public undertakings for giving details of past service of the applicants and the circumstances under which they had resigned or their services had been terminated. They have also advised that where an applicant declared that he resigned from his previous post or his services were terminated, his antecedents should be checked up from the previous employer.

2. Ministry of Steel, etc. are requested to bring the above to the notice of enterprises under their administrative control for taking suitable action in the matter.

To

All Ministries and Departments of Government of India.

Copy to:—

1. Chief Executive of all Public Enterprises.
2. The Central Vigilance Commission, New Delhi.
3. The Central Bureau of Investigation, New Delhi.

APPENDIX VII

(*Vide* para 4 of Introduction)

Analysis on action taken by Government of the recommendations contained in the Fiftieth Report of the Committtee on Pnblic Undertakings (Fifth Lok Sabha)

I.	Total number of recommendations made	38
II.	Recommendations that have been accepted by Government (*vide* recommendations at S. Nos. 3, 4, 5, 8, 10, 11, 12, 14, 15, 16, 31 ,34, 35 and 36)	14
	Percentage to Total	36·84%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (*vide* recommendations at Sl. Nos. 1, 2, 6, 7, 9, 19, 20, 22, 25, 26, 27, 28 and 33).	13
	Percentage to total	34·21%
IV.	Recommendation in respect of which replies of Government have not been accepted by the Committee (*vide* recommendations at S. Nos. 32, 37 and 38)	3
	Percentage to total	7·89%
V.	Recommendations in respect of which replies of Government are awaited (*vide* recommendations at S. Nos. 13, 17, 18, 21, 23, 24, 29, and 30)	8
	Percentage to total	21·06%

GMGIPND—LS II—1055 LS—12-8-75—1300